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# The CREDIT WORLD

Magazine of  
Retail Credit

**T**HIS emblem, displayed in your store or office, serves as a shield of protection—a constant warning, to those who prey on retailers and professional men, that you are a member of a powerful National organization. This is just one of the "intangible" benefits of your membership.



FEBRUARY, 1933

Vol. XXI No. 6

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**NATIONAL RETAIL CREDIT ASSOCIATION**  
1218 OLIVE STREET ST. LOUIS, MO.

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# The CREDIT WORLD

Official Magazine of the NATIONAL RETAIL CREDIT ASSOCIATION

February, 1933

Vol. XXI

No. 6

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This publication carries authoritative notices and articles in regard to the activities of the National Retail Credit Association; in all other respects the Association cannot be responsible for the contents thereof or for the opinions of writers.

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FEBRUARY, 1933

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# EDITORIAL COMMENT

D. J. WOODLOCK

## About Credit Bureau Service

(This editorial is directed toward the Directors and Executives of Credit Reporting Bureaus)

**I**N THE universal demand for reductions in expenses, retailers should bear in mind that the cost of credit reporting service cannot be arbitrarily reduced without lowering the quality.

The 1,284 Reporting Bureaus making up the Service Department of the National Retail Credit Association were never set up as profit companies. They are purely service associations, and even during the peak days of our national prosperity, the fees charged for reports just about took care of operating expense. If a profit were made, it was used to improve service or equipment.

This is no time to hamper or cheapen credit reporting service. Rather should we strive to make it more exacting and efficient than ever before.

We must keep intact these organized credit bureaus which we have spent years in developing to a high standard of efficiency. The credit responsibility of practically every citizen has changed during the past three years. We need these bureaus, even more than before the depression, and our future credit business will be decidedly unprofitable unless we have a dependable and efficient bureau to advise and guide us.

It is penny wise and pound foolish to curtail expenses for a service just when we need it most. The idea of replacing trained employees with inexperienced ones, simply to save a few dollars in salaries, is unwise. It takes months of training, study and effort to develop employees so they can render the type of reports needed in these days of uncertainty.

Few credit managers and merchants realize the actual cost of compiling a standard report—investigators, stenographers, checkers, supervision, material, etc. If it were not for the resale possibilities of these reports, not a single bureau could remain in business at present prices.

The retailer knows better than any other business man that to purchase the best merchandise, he must pay a proportionate price. Why not apply the same logic to credit reporting service? Cheap service is never good service.

## Memphis Will Be Ready

**T**HE Convention Committee of the Retail Credit Men's Association of Memphis, Tennessee, who will be hosts to the Twenty-first Annual Convention of the National Retail Credit Association—June 20, 21, 22, 23—are holding weekly meetings in preparation for that event. Advance information indicates there will be no evidence of the depression in the program and the Memphis Association will live up to the reputation it has held for many years, of being one of the most live and aggressive organizations in the country.

## What About Skips?

**W**ILLIAM LUFTIG, in his book *Credit Cheaters*, quotes facts and figures showing enormous loss to the consumer credit granters of the nation because of what is known as the "skip," the debtor who evades payment by moving and failing to record his new address.

The Associated Retail Credit Men of New York estimate that \$5,000,000 is on the books of New York business firms, uncollectible because the present address of the debtor is unknown. Taking this as a base and figuring on only the large cities, the amount is staggering. Of 4,000,000 automobiles and trucks financed in 1929 by finance companies, 30,000 "skipped." What must be the ratio of the radios, electric and gas appliances and other merchandise of that type, much easier to conceal than an automobile?

It appears that despite all our study and research, our credit associations and efficient credit bureaus, there are still credit managers who do not interview the customer and if they do, are so fearful of giving offense that they do not ask enough questions and—the worst sin of all—they do not get a credit bureau report.

It may be diplomacy to make the credit interview as brief as possible with certain types of clientele, but the average customer who cannot show several years of satisfactory credit record, or who desires to buy on the installment plan (with payments extended over a considerable period of time), certainly cannot object to completely identifying himself by answering questions regarding relatives, insurance carried, lodge affiliations, church affiliations, etc., through which he can be located should he be so careless as to forget to notify his creditors when he moves.



# The Old Guard Committee

IF THERE was ever an appropriate thought at an opportune time, it was the idea of the Old Guard Committee, with Leop. L. Meyer as Chairman (announced in the January CREDIT WORLD).

During the early days of the National Retail Credit Association, when our progress was dependent almost wholly upon the efforts of individuals, there developed many leaders who gave whole-heartedly of their time and talents to create the wonderful association we now have.

As time passed these leaders felt they should step aside and permit the "younger generation" to carry on and no one can find fault with the progress made.

But along comes a crisis in our financial and commercial life. Our credit structure is shaken. New and unusual conditions must be met with the best thought of experienced leaders of the credit fraternity. Credit managers must be aroused to an appreciation of their place in our commercial structure. New credit policies must be developed to meet present-day needs. The efficiency of credit bureaus must be increased.

## Objectives of "Old Guard Committee"

1. To arouse themselves to a consciousness of their own significance in the credit world and to arouse the credit fraternity as a whole from its dormancy in credit affairs in general and in the affairs of the National Retail Credit Association in particular.

2. To develop outstanding credit men in their respective communities and to cultivate potential leadership in these men in order that such men might, in the course of events, and through meritorious accomplishments, ultimately administer the affairs of the National Retail Credit Association.

3. To suggest and work out educational features which will add interest to local Association meetings.

4. To advise and counsel bureau managers for the purpose of developing the bureau, both as regards service and necessary revenue.

5. To sponsor, encourage and cooperate in the establishment of new credit theories and policies practicable under the new economic conditions.

6. To prepare short, inspirational articles for "The Credit World," which articles shall be given especial publicity by the editors.

7. To educate the merchants of this country to the necessity of sending their credit managers to conventions in order to insure a contact with other credit managers, as a result of which a badly needed broader interchange of credit thoughts and ideas may be developed; and also to remind the merchants that the Memphis Convention is to be dedicated to a serious consideration of the vital problems now confronting the credit fraternity.

Membership must be maintained in both National and local credit associations.

Interest must be encouraged in credit education, State and Regional Conferences, in our National Convention in Memphis next June. The CREDIT WORLD must be improved and made the outstanding consumer credit publication.

In this crisis the executive officers naturally turned to those men and women who had in the past proved their ability as leaders and their interest in the welfare of the National Retail Credit Association.

The Old Guard Committee was organized, with Past President Leopold L. Meyer, an aggressive and fearless leader with ability to carry the idea through, as Chairman. He immediately appointed all Past Presidents as Vice-Chairmen and about one hundred tried and true members were asked to accept service on the Committee, with the objective of eventually having a Committee member in every city of importance.

These in turn are to organize local and state "Old Guard Committees." Certain members were designated to give attention to specific objectives. In fact, Mr. Meyer has not overlooked a single detail in setting up the personnel and working arrangement of the most distinguished committee ever assembled by any trade association.

The response to Chairman Meyer's call for service was inspiring. Practically everyone visioned the value and necessity of the work and was willing to set aside personal matters and get back into harness for the betterment of credit and the further development of the National Retail Credit Association. That all were "thinking" was evidenced by the many letters containing suggestions.

This is the greatest work . . . with the possibility of the most beneficial results for individual members, as well as Local and National Associations . . . that your Association has ever undertaken, and we urge all members, whether they be credit managers, bureau officials or collection men, to rally to the call of the Old Guard Committee. When the "Old Guardsman" in your community announces his program and asks your cooperation, get the spirit of the thing . . . show you appreciate that these men are giving their time and effort unselfishly in the interest of all members . . . all retailers.

*A. J. Woodlock*

# How Cedar Rapids Established Carrying Charges on Delinquent Accounts

By R. A. VETTER

Credit Manager, The Killian Company, Cedar Rapids, Iowa;  
Past President, Cedar Rapids Retail Credit Association

**A**FTER a careful study of the methods used by other cities in establishing a community policy of charging interest on delinquent accounts—made by a special committee of which the writer was chairman—Cedar Rapids has developed a plan which is working out satisfactorily for the stores participating.

This plan was adopted by about six of our loop stores and became effective August 10, 1932. They are charging one-half of one per cent per month on all balances sixty days old and over. At the inception the interest notice reproduced below (a 3½" x 6" printed slip) was sent by all of these stores to the accounts showing sixty-day balances at that time.

Our committee had previously made a thorough investigation of result obtained in other cities and had sent the following report to all members:

In these days of lowered prices, declining sales volume, and diminished profits, retailers generally are confronted with the necessity of making all policy changes not inconsistent with good business, and yet which seem to afford some measure of relief from present conditions.

One of the changes contemplated, and which has already been adopted by leading stores in many cities, is the charging of interest on past due accounts.

Such cities as Cleveland, St. Paul, Youngstown, Peoria, Wheeling, Salt Lake City, and Akron, have adopted this as a *community credit policy*. All stores holding membership in the Retail Credit Associations of these cities are uniformly making this interest charge, while other retailers throughout the country are charging interest independently of the action of their competitors.

One of the leading stores in Davenport, Iowa, has been making an interest charge for the past ten years. They report:

"We have found by charging interest on accounts we have been able to induce customers to pay their accounts much more promptly, and in very few instances do they use this as an argument for allowing an account to stand for a longer period. Even in those cases it is easy to offset this argument by telling them the interest is not an accommodation for an extended time on the account, but for the additional time already taken over our regular terms of thirty days.

"Our collection percentage during the past year which only fell 1½ per cent under the previous year would indicate that the use of interest on past due accounts surely will keep your collection percentage up to a higher figure."

Commencing June 1, the stores in Cleveland, Ohio, sent a uniform notice to all delinquent accounts which reads as follows:

"Charge accounts are arranged as a special service and convenience to customers who desire to pay in one

sum, on or before the tenth of each month, for purchases made the previous month.

"In fairness to the thousands of customers who pay promptly, representative retail establishments of Cleveland have adopted the policy of adding an interest charge to overdue balances.

"Your patronage is thoroughly appreciated and valued by our members and we are confident you will cooperate with them to the fullest extent possible.

Retail Merchants Board of the  
Cleveland Chamber of Commerce."

The retailers of Youngstown, Ohio, as well as a number of other cities, use a similar insert—rather a letter, over the individual store's signature, stating the rate of interest and the conditions under which the charge is made.

## "TO OUR CHARGE PATRONS

"As you undoubtedly know, regular charge accounts are arranged as a special service and convenience to our customers enabling them to pay in one sum, on the tenth of each month, for purchases made the previous month.

"Because all merchandise in our store is priced on a cash basis, we and many other stores have adopted the policy of adding a charge of one-half of one per cent per month on any balance more than sixty days old, to cover the extra cost of carrying the account.

"If the portion of your account, which is now past due, is paid before the fifteenth of this month, you will save the carrying charge required after that date.

"In fairness to our thousands of cash customers and charge patrons who pay their accounts regularly within thirty days, we are quite sure you will recognize the necessity of this policy.

"Your valued patronage is appreciated and we hope you will cooperate with us.

Cordially yours,

THE STROUSS-HIRSHBERG Co.,  
Department of Accounts."

The strong objection on the part of the merchants to an interest charge has been the fear that it would meet with the displeasure of customers, and likewise slow up collections. But these fears have proved to be groundless as most cities report but little objection on the part of the customers—and little if any loss of charge customers. Also, collection percentages have been maintained or bettered.

Commenting on the adoption of this plan in Youngstown, the credit manager of The Strauss-Hirshberg Co. says:

"Since October 1, 1930, when the 60-day plan was put into effect, a net average of \$975 a month has been charged as interest in our store, or in other words, the yearly gross earnings will approximate \$12,000. This

amount, less the necessary cost, will have had considerable bearing on the net profit figure at the end of the year.

"I might add that we have about 22,000 active, 30-day accounts, and about 3,000 accounts are being charged each month with interest, or about 13.6 per cent.

"One store having 13,000 active accounts sent out notices to 4,000 of them. So far, less than ten customers have closed their accounts and only a few of them have refused to pay the charges. Also, the collection percentage for this store remains about the same.

"Another store with 26,000 active accounts sent out 10,000 interest notices and only 25 customers protested. Five or six refused to pay the interest, but the majority tacitly approved of the plan.

"A third store with 22,000 active accounts sent out 6,000 notices and received only five refusals to pay the interest. About \$8,000 has been placed on this store's books for interest charges and the major portion has already been collected. This store shows a slight increase in collection percentages."

In a recent conversation with a merchant in whose store and city this charge is now being made, he stated:

"Of course we anticipated a lot of kickbacks after the general public was acquainted with this plan and we had them. But when checking up on whom they were, we found these same people would object to most any new idea. The fact of the matter is we received more compliments on adopting this plan than we had objections."

This merchant also added that now that the plan had been in operation for several months and the interest charge religiously made, they are receiving no complaints or objections whatever. This merchant also added that the plan had speeded up collections.

Salt Lake City in reporting on results of their adoption of this policy reports:

"No statistics are as yet available on results, but it is reported that the store managers are all very enthusiastic over the response from customers, many of the customers having paid overdue accounts shortly after receiving the notice and very little opposition to the plan having been evidenced. It is felt by the cooperating group that the lack of opposition may be attributed in part to the fact that so many stores adopted the policy."

#### Another city reports:

"Five years ago last April it was decided upon to materially reduce the accounts receivable and if possible increase the volume of business. It required drastic measures to be taken to effect the result desired.

"One of the first leverages used was an interest charge, which has since proved a wonderful stimulant to collections as well as being a great reducer of office overhead. We have charged approximately twenty-odd thousand dollars, practically all of which up to the present time has been collected."

#### Another store reports:

"Last month we started charging 6 per cent interest

on regular monthly accounts, delinquent over 90 days.

"About 1,500 letters were mailed, advising our customers that unless accounts were paid in 10 days, interest would be charged, which appeared on statements rendered the first of this month. Interest is being charged on the remaining delinquent general accounts, and will appear on statements rendered next month.

"We do not think that we had over half a dozen serious complaints, and we found that in many cases our customers really expected to pay interest."

#### Another store reports:

"On July 1, 1926, in conjunction with the other two leading department stores of this city, we instituted the principle of charging interest on balances of customers' accounts which were thirty days or more past due, and have continued to do so ever since. The rate charged is one-half per cent monthly.

"During the early stages of this procedure there naturally was some unfavorable reaction to this, but not as much as one could reasonably anticipate from so radical an innovation. Some customers threatened to and did close their accounts, but I am pleased to state that cases of this nature were comparatively few and that practically all of such accounts were reopened at a later date.

"We employed discretionary measures during the first few months of this plan and if we received remittances from customers in payment of their accounts, less the interest charged, we would credit back the interest without further comment. Likewise, if customers called at the office and objected to the interest charge they were informed that the interest would be credited in this particular instance, but that in the future the interest charged would stand, should their accounts become overdue.

"Thus the buying public was gradually educated to the fact that interest charges were effective and I should say that after a period of six months it was recognized as an established procedure and complaints and resentment to the charging of interest had entirely disappeared.

"The plan has been and is successful in this city, which is proved by the fact that inasmuch as it was pioneered by the three leading stores, it has now been adopted by practically all of the larger reputable stores of this city. The success of the plan depends upon cooperation of the merchants with their local organization and the proper education of the public."

(Continued on page 32.)

## ANNOUNCEMENT

As you know, accounts are arranged as a special service and convenience for customers who desire to pay in one sum, on or before the 10th of each month, for charges made the previous month.

Because all charges are made on the basis of cash prices, members of this Association have adopted the policy of adding an interest charge to overdue balances, to cover the extra cost of carrying the account.

Accordingly, if the portion of your account which is now past due is paid within 15 days, you will save the interest charge required after that date.

In fairness to cash customers and charge patrons whose accounts are paid when due, we are quite sure you will recognize the necessity and fairness of this policy.

Your patronage is thoroughly appreciated and valued by our members, and we are confident you will cooperate to the fullest extent possible.

RETAIL CREDIT ASSOCIATION  
of CEDAR RAPIDS



# The Importance of Reporting Ledger Experience on All Accounts

By HELENE P. ORREL

Credit Manager, Joseph Spigel, Inc., Roanoke, Va.

An Address Before the Retail Merchants Association of Roanoke, January 9, 1933

**T**OO much stress cannot be laid upon the importance of giving your actual ledger experience, with each individual customer on your books, at regular and frequent intervals to your Association. Mr. and Mrs. Charge Customer are much alike the world over—credit with them soon becomes a habit and like most habits, frequently gets beyond control.

It is very probable that if we have Mr. or Mrs. "Chargeit" on our books, several others of you have them on yours. They may owe us \$25, someone else \$50—someone else \$100. Their intention to pay may be good but—unless their ability to pay is in proportion to their intention—it is costly to the merchant.

If the earning capacity of Mr. or Mrs. "Chargeit" is not sufficient to enable them to pay their present obligations according to agreement, it is sheer folly for a merchant to extend further credit to them, trusting blindly in their promise to pay. If Mrs. "Chargeit" applies to a merchant for credit, giving her occupation as housewife, and two or three other stores in a similar line of business as reference, and these references report that she has taken care of her obligations satisfactorily with them, the average merchant regards her as a good risk and opens a charge account with her.

Later, when the account lags and collection is difficult, he finds that she failed to give him the names of several merchants to whom she also owed money at the time she opened the account and whom she had not been paying satisfactorily. He also frequently finds that her husband, who is the only income-producing member of the family, also owes a number of accounts and while they are regarded as good moral risks, their indebtedness is already out of proportion to their earning capacity and it is therefore impossible for them to satisfactorily take care of their obligations.

If every member of this Association rated his ledgers accurately and frequently to his Association, then when any member called the Association for information that is of vital importance to the member, the Association would have at ready command exactly the information needed to determine whether or not that customer should be granted the privilege of credit. This has never been so important to the retail trade as it is right now.

We have in our community at this time thousands of people who are honest and who have enjoyed credit from a number of our members for years. However, many of them have met with reverses—their incomes have been re-

duced. So, when they apply to you for credit, in so many instances their earning capacity is not sufficient to allow them to take care of the account satisfactorily, even though their intentions may be of the best. It is far better to decline this account than to plunge this customer still further into debt and jeopardize the profits in your own business by so doing.

If your Association is in position to tell you with some fair degree of accuracy what this customer owes among its members and what this customer's monthly or weekly payments average, you can very quickly tell whether or not he or she will be able to keep an agreement with you. All of us who have anything to do with credits know that it is imperative that we check applicants closer and with more intelligence than ever before. We cannot afford to stand the losses we have stood in the past—business conditions do not warrant it.

On the other hand, we want to build up business—good business—and we do not want to jeopardize any business that is good by unwisely refusing credit. There is no occasion to get panicky on the subject. There is a lot of good, conservative credit business to be had and if your Association has in its files complete information it can assist you not only in declining bad accounts but in accepting charge accounts that will be an asset to your business.

If your Association is in position to show you that this customer has enjoyed credit among a number of its members and has always taken care of every obligation satisfactorily, that is an account you want and your way is clear. If your Association has no information on hand about this good customer—and it is a fact that some of our members have not seemed to realize the importance of rating good accounts as well as the delinquents—your information will be meager and for that reason alone, unsatisfactory and you are left in doubt.

While you have nothing particularly bad about this applicant, neither have you anything particularly encouraging and, especially if the amount of credit applied for is large, you are uneasy about whether to take a chance on a possibly good customer or turn down a probably bad one. Complete information about the credit buying public in your Association's files will eliminate this hesitancy and you will know what to do.

After all, it isn't the regular deadbeat we are most concerned about. It is easy to locate him. Plenty of our

(Continued on page 31.)



# Solve three 1933 Problems



## *Faster... Stronger... Easier to operate*

This *Improved Remington* has four, new power-driven operations, (making a total of eight). New reinforced carriage. New streamlining. All in all, a machine built specifically for accounting and bookkeeping functions.

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**U**NDER present day conditions—with more customers taking longer to pay—with collections 25% harder to secure—with smaller margins of profit, executives must have last minute facts to exercise closer, daily control.

These conditions demand more figure facts—gathered more often, and at lower cost. To meet these demands, Remington Rand has designed an *Improved Electrified Accounting Machine*. Its new speed and strength—its extra conveniences—enable your present force to get out more information, to meet extra demands in the same time.

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The *Improved Remington* has the largest number of genuinely automatic features on any one accounting machine. It is easily adapted to any method of bookkeeping. Let us prove that your business needs this *Improved* machine, and needs it *now!* A free demonstration places you under no obligation. Write for it today! Accounting Machine Division, Remington Rand Inc., Buffalo, N. Y.

## *Improved Remington Electrified* **Accounting Machine**

# "Working Details" of the Cedar Rapids Interest-Charging Plan

**[Editor's Note: This working plan of the Cedar Rapids Committee sponsoring the Interest-Charging Plan is so comprehensive and complete that we believe it can be used as a working model by other cities contemplating the adoption of this plan.]**

**I**N CONNECTION with the plan to charge interest on delinquent accounts, you will find attached the insert announcing this policy and which is to be used on and after August 10. These are available at the office of the Secretary of the Association at 30 cents per hundred.

In order that we may pursue the same policy in this matter, the following outline is suggested for guidance:

1. These inserts are to be used
  - (a) On delinquent accounts, or
  - (b) Accounts which have been chronically delinquent in the past, but current at the moment.

2. These inserts are to be used after an account has become 60 days delinquent. Example: Merchandise purchased in May should be paid for not later than June 10. If said account is not paid prior to August 10, a memorandum statement should be sent to the delinquent debtor showing the amount past due, and enclosing an insert with such statement.

3. If the account is not paid within 15 days from mailing of the statement with the insert, interest should be computed at the rate of one-half per cent per month ( $\frac{1}{2}$  of 1%), from the date of delinquency; i.e., from June 10 as exemplified above.

4. In initiating this policy inserts will, of course, be used on a great many accounts which have been delinquent for a considerable period. In such cases, interest should be computed from the date of delinquency. Example: An unpaid account for merchandise purchased in December should carry an interest charge from January 10, in the event the account is not paid within the 15 days as stated in the insert.

5. In the event an account is partially paid, credit should be given the customer on the oldest portion of the bill, and interest computed on the unpaid delinquent balance.

6. Where an interest charge is made on an unpaid balance one month, and the account is not paid within 30 days, an additional interest charge should be entered on the unpaid principal only, thereby guarding against compound interest.

7. It is recommended that no interest charge be made for less than 5 cents. Examples: On an account of \$5.00 delinquent 30 days, the carrying charge would be 3 cents. It is recommended that this be carried over an additional 30 days in the event the account is not paid, and the interest item then entered as 5 cents. Experience in other cities has taught the wisdom and economy of this procedure.

8. Where an interest charge is made to an account, this should be shown on the statement going out to the customer at the end of that month. It is recommended, however, that on the customer's statement this be posted as "Carrying Charge" rather than as an interest item.

There should be no change in present collection procedure or policy. The adding of interest to an account should be looked upon as a penalty for present delinquency and not considered as an excuse for permitting the account to continue unpaid. Unquestionably, the policy will have a tendency to aid in collections if we do not "let down" in our present collection efforts.

Anticipating that there may be some objections to the addition of the interest charge, customers should be fully informed as to the necessity therefor. In cases it will be advisable to remove the interest charge. This should only be done upon condition that any delinquency be then paid, and with the understanding that thereafter the account will be paid on a 30-day basis, and that interest will be added in the event the account should again become delinquent.

Where customers are (a) arbitrarily unreasonable in accepting this policy, (b) refuse to pay interest charges after reasonable notice, and/or (c) should close the account because of the adoption of this policy, such matters should be communicated to the other stores for their information and guidance.

When it is necessary to order additional customers' statements, it is recommended that there be included on this statement, not only reference to terms, but to the interest charge as well, substantially as follows:

*"Accounts are payable in full the tenth of the month following purchase. Past due accounts are subject to interest charge."*

The above should also be shown on the short forms of statements which may be used in the collection department.

It is further recommended, where printed application forms are now used, that the following be incorporated thereon:

*"I agree to pay a carrying charge of one-half of one per cent ( $\frac{1}{2}$  of 1%) per month on any accounts of my purchases that may be past due, it being understood by me that all accounts are due on the tenth of the month following purchase."*

Where it may be deemed advisable, this could be made up in rubber stamp form and stamped on present application forms.

(Signed) R. A. VETTER,  
For the Committee.

Aug. 1, 1932.

# Visible Records for Better Control of Charge Accounts in Small Stores

By RALPH H. BUTZ

**A** SAVING of 50 per cent in the handling of charge accounts as well as detailed records kept up to the minute is claimed for a visible file charge and billing system used in the Dulaney Clothing Store, Reading, Pa. This system is of particular interest to the thousands of stores having less than five thousand active charge accounts, for the cost of bookkeeping here has been reduced to a point where it is equaled in but a few stores of this kind.

This firm carries approximately two thousand active charge accounts, representing an annual credit volume in excess of \$50,000. For most efficient handling of these charge accounts this new and improved system was installed a few years ago.

While not all these charge accounts are active each month, the number of monthly statements to be mailed varies from 400 to 800. This system makes it possible to have every statement in the mail on the first of the month, and this is accomplished without the pressure of clerical work that obtains in most offices around the first of the month.

Furthermore, these statements are up to the minute, the last charge on the last day of the previous month being on the statement sent out on the first of the succeeding month.

The basis of the entire system is a visible filing equipment that short-cuts the ordinary bookkeeping routine in many ways. An indexed card is maintained in the files for every charge account. The name of the account is written on the lower edge of the card. Instead of placing these cards in vertical files they are filed flat in trays or drawers which slide into a cabinet adapted for the purpose.

Each of these flat trays holds up to one hundred charge account cards, which are fastened in the tray and lie flat with only the indexed name showing as the tray is pulled out of the cabinet. Since all the accounts are arranged in alphabetical order, an index tab on the front of each tray indicates which accounts may be found in any particular tray.

For instance, if Mr. Dulaney wants to find the account of Hiram S. Johnson, he will pull out the tray tabbed "J-K" and will be able to find the desired card immediately. By lifting up the preceding card he will have visible the entire account of this customer. Any one of these two thousand account cards may be located in just two seconds, which is in decided contrast to the time required where ordinary customers' ledgers are in use.

How this visible file system has been adapted to eliminate ledgers and speed the process of bookkeeping and credit checking should prove interesting to many merchants. These file cards with the customers' names on the lower margin, which are securely hinged in the sliding trays, have diagonal cuts near each corner in which a folded form may be attached to the card. This folded form has a perforated line, being in two parts. One part is the store's permanent ledger record, and the other part is the customer's statement which is mailed to him on the first of the month.

Carbon paper is inserted between the folds of this form before it is fastened to the filing card. After it is attached to the card all entries on this form may be made without removing the card, using the sliding tray as a writing desk. The folding of the form and the carbon paper makes it possible to write both the ledger record and the statement at one time.

The salespeople use a standard form of duplicate sales book. The customer receives one sales slip with his purchase while the duplicate copy is transmitted to the office. As soon as the bookkeeper receives one of these sales slips representing a charge sale she locates that account in the files and writes the charge on the combination ledger-statement form.

These charge account forms are not attached to the file cards until an account is active. *A green celluloid tab is attached to the lower margin of each card bearing an active account.* In this manner all active accounts are instantly recognized as soon as a tray is opened. *For accounts that are active but delinquent or "over the limit" a red celluloid tab is attached instead of a green one.*

(Continued on page 13.)



—Photo Courtesy Remington Rand, Buffalo, N. Y.

"The basis of the entire system is a visible filing equipment"





# Borderline Accounts

By R. E. WESTBERG

Treasurer, Westberg & Childs, Inc., Seattle, Wash.

President, Associated Retail Credit Managers of Seattle  
Past President, National Retail Credit Association

**B**ORDERLINE accounts are those accounts which, as the term implies, are on the border of the line separating the good from the bad, the wheat from the chaff. The question of deciding which side of this line any particular account may lie upon is the one which faces all credit managers constantly.

Yet in spite of the fact that they are constantly confronted with repetitions of this question in varied forms no one seems to have as yet worked out a definite answer or a definite formula which may be applied in all cases. At Massachusetts Institute of Technology there is a machine into which may be fed the different terms of a differential equation of calculus and which will then solve the equation in a period of time ranging from twenty minutes to eight hours.

Would that each credit office were equipped with such a machine into which the harassed credit man might feed the different factors of a credit application and derive the correct answer in a like period of time! Most of us would be quite ready to approve an appropriation for such a machine.

But, if we stop to think, we do have such a machine available, and into the hopper of this machine we may drop the various factors of the equation of our credit application; such as name, address and occupation; length of service, references, and the other facts obtained from the applicant for credit. Then, if the motors are geared to give due weight to each factor, we should arrive at a definite conclusion which will probably be expressed as a percentage—a percentage of the chances for collection.

This machine is our own brain, the fault or virtue of which lies in its not being purely mechanical, capable of assimilating only those facts with which it was constructed to work, but one that will adapt itself to infinite varieties of facts and situations.

The answer we finally receive is, as I have said, a figure which in the final analysis is expressed as a percentage of the chance of collection. If this figure is greater than 65 we should accept the account, if lower than this figure the account should be rejected. I set the figure at 65 rather than 50 for two reasons:

First, the gross margin figure for merchandising is around 35 per cent leaving a cost percentage of 65 which we should always bear in mind. Second, a "50—50" chance is a gamble, and while credit managers must be educated to take some risk in extending credit, the risks they accept should be based upon experience tables and

they should never gamble with money belonging to their firm.

Like the bank at Monte Carlo the odds should always be in the favor of the house—at least 15 per cent. The higher the figure the more desirable the account, of course, but no matter at what point we might divide our line we will find many accounts which are balanced at that point, so that the omission of one factor from our equation, the giving of undue prominence to another might result in our answer crossing that line one way or another.

Our greatest faults in the operation of our equation machine lie just here—that we fail to feed into the hopper all the vital facts, or else fail to place the proper coefficients before the terms.

What are the terms of our equations?

First, we have the name. A name may indicate much or it may indicate little. At best it identifies the applicant positively as some well-known personage and gives such a large coefficient to this first term as to dominate the result. Or it may indicate racial descent which in turn may indicate a tendency toward thrift or extravagance.

Second, we have the address to which the proper weight or, to continue our mathematical simile, the proper coefficient must be given. The sign of this coefficient—whether positive or negative—will depend upon the location of the home.

Thus we go through all our facts. The occupation and length of service carry a coefficient dependent upon the probable income. Bank account, relatives, and trade references.

Trade references may indicate pertinent facts even before they are checked. Half a dozen first-class stores might well indicate that accounts had been taken care of so satisfactorily with the first one or two to open accounts that the others had been glad to extend similar privileges.

Of course, it might also indicate the wearing out of their welcome at each store in turn. Whether the latter is a possible solution will depend upon the credit policy in force in the particular community in question.

The first process in preparing the factors of our equation is to get a complete credit report. When the report is either very favorable or very unfavorable then all the factors may be quickly assigned their proper value and we may even be able to solve it without the use of our machine.

It is in those cases where reports are contradictory or vague that we must uncrate the equation machine, oil up



the motors and see that they are in high gear before feeding the factors into the hopper. If we expect to derive an answer which will be within the limits of the probable errors, we must be certain that we have all the terms and the proper coefficients.

The answers to these borderline accounts usually lie so close to our balancing point that a small error may give us 66 at the time only to find out, when we look up the answer in the back of the book (in this case the profit and loss account at the end of the year) that the correct answer was written in red.

I can continue to give you theoretical considerations indefinitely but we all learn to use our equation-solving machines by constant practice so I shall proceed from this point by quoting some of the problems which have been fed into several of these wonderful machines and tell you the answers derived.

Mr. R. S. (for Recently Slow) was a florist. Mrs. Slow had traded with the store for three years, high credit \$80—30-60-90-day account—often running the entire time with full payment at the end. Now owes \$50 sixty days old, no payment received. At a recent clearance we find that the Slows have in recent months been getting slow, several accounts now running four to five months.

Furthermore, it seems that the depression which was finally defeated (?) on November 8 last, had cut his volume down to a point where he is having some financial difficulty in his business but just how bad this is cannot be determined exactly. The credit manager now receives a charge on Mrs. Slow's account for a \$70 coat to be sent out.

We assemble the various factors of our equation, both positive and negative. On the positive side we must give a fairly high coefficient to the past record, both at the store faced with the problem and at other stores. The fact that Mr. Slow's business is an old established one also deserves weight while the fact that they have previously let accounts run 60 to 90 days before paying in full must go to offset the \$50 now owing and past due. On the other side we must place the immediate inclination to slowness and the indications of financial depression.

We let the facts rest for a moment and look for intermediate terms. We find two: That his business is coming into a season of the year when he may expect a considerable increase and the fact that if we refuse this charge we wipe out the one constant factor in every equation of this kind, the good will of Mrs. Slow.

When these factors are fed into our machine the answer comes out at about 75. The coat is sent. This equation having been worked out quite recently we have not as yet received a correction from the board of examiners but having received a report that the store in this case has already received payment of the old balance we may still retain confidence in our equation machine.

Another equation:

Mr. Negative calls at the credit office in person, desiring credit to the extent of \$50 for apparel for his

wife. He is district manager for a doctors' equipment firm and works on commission. He is quite frank in stating that he was formerly in business in a neighboring city where, because of a long illness, he failed to keep his credit record in as good condition as a credit manager might like to find it.

He claims that although he was quite slow in paying his accounts, and in fact there are several small balances still owing, these will soon be paid. He states that a men's shop opened an account for him recently, which account is now paid.

The credit report bears him out in the slow account question, showing in fact that several accounts have been forwarded for collection, on one of which a judgment had been obtained. The men's shop opened the account as Mr. Negative claimed, with a small balance owing now which, it seems, Mr. Negative is disputing on the ground that the merchandise was not entirely satisfactory.

We reach for our machine and feed in the fact that Mr. Negative has been in the city well over a year and a half, all the time with the same company, and is apparently successful. We give a positive sign to Mr. Negative's personal appearance and frankness but we cannot give the proper value to the coefficient of those unpaid accounts. We must know more concerning them.

We reach for the phone and find our coefficient in the statement of the manager of the adjustment department of the Bureau that Mr. Negative refuses to pay or to discuss the accounts which are far from being paid and that one garnishment has revealed a protested status in Mr. Negative's income. Upon hearing this the answer was immediately produced from the equation machine. It read something under 1 per cent.

Another problem:

Mrs. Mary D., living in an apartment house, divorced 5 months and working the past three for an oil burner company as stenographer. Trade references all under her married name. One department store given reports \$43 high credit, paid 6 months ago, 3 to 4 months. An apparel shop reports \$31 high, paid 30 to 60 days. The only other reference is her present employer who accompanied her into the store and seemed to be a confidential adviser.

The values given to each factor in this case might well be a question for debate. Like psychic bids in auction bridge we have to feel in space for them. However, we have the fact that she is employed. Taking into account the fact that she has apparently found favor with her employer we may assume that the position is permanent and to this factor we assign a positive sign.

We have the fair to slow record prior to her divorce on accounts which were for her own needs and which considering everything might be taken as an indication of her habit in paying bills. These factors in our equation machine bring a result perilously close to the dividing line but the credit manager in the case thought it was above and accepted the application. He has not yet looked at the answer.

(Continued on page 15.)



# What the Public Should Know About Retail Credit

By FRED S. KRIEGER

Secretary-Manager, Milwaukee Association of Commerce

A Radio Address from WISN, January 21, 1933

**T**HE American retailer allows himself to be a lender in excess of twenty-eight billion dollars annually. He has contributed a great deal to the increased comfort of living and to the social equality of American civilization. He has carried to the American consumer a service unparalleled in the history of the world.

He is a lender who takes to the borrower the collateral and says, "Here it is—a new coat, a vacuum cleaner, a radio, a washing machine, an automobile—take it and use it while you are paying for it." The collateral, instead of being placed in safe keeping, is utilized by the borrower—a wonderful thing. This practice has made the world happier and consumers thus magnanimously served should be punctilious in their duty and properly appreciative by paying obligations when due. But many of them are not and their delinquencies are costing retailers millions of dollars annually.

It seems that the sense of propriety for properly caring for definite obligations has been dulled, due largely to present economic conditions. The individual has proved himself honest in 98 cases out of 100, but prompt only in 70 cases out of 100.

To possess good credit is to have people believe in you, trust you, and know that when you give your word you will keep it. Good credit—"a good name"—is a priceless possession. It is something which every person who has dealings with his fellow-men should cultivate.

Good credit matches favorably with harvest time. The harvest is determined by the diligence and perseverance of the farmer in giving his crop the best of care. He cannot expect the best of crops if he does not attend to every operation at the proper time.

Similarly, your credit rating is determined by the care and watchfulness which you accord your charge accounts. You cannot reap the harvest of a good credit rating if your bills are denied attention when they are due.

"Therefore, build your credit, guard it zealously, let everyone say of you, 'He can be relied upon.'"

"All who are rich in worldly goods have not good credit. Many who can pay their obligations do not. On the other hand, many with modest possessions have excellent credit. Honesty enters largely into the building of credit. However rich one may be, if he has a reputation for dishonesty or sharp practices, his credit suffers accordingly. Good credit demands willingness to pay as well as ability to pay.

"One of the most annoying things in life is to be mired in a field of debt. It is easier to get into debt than it is to get out. Many are plunged into debt through no fault of their own—sickness, accident, loss of position, helping others, etc.

"Some people blindly get into this predicament because they fail to see where their course is leading them. Those who are in debt should begin credit building by getting out of debt, by personal sacrifice in doing without luxuries and unnecessaries.

"Taking a chance and asking merchants to do so on mere hope that everything is bound to go smoothly and that payments will be made when due is an abuse of credit which has brought misery to many and ruined many good credit records. "Hopes" are most uncertain. Few ever realize theirs fully.

"Yet, many people plunge into debt without considering how they can get out. Then, frequently, the unexpected happens. Emergencies arise and payment becomes difficult, if not impossible for a time. People should avoid taking chances. They should be certain of their ability to meet obligations when due, if they are to maintain their credit under present conditions. When about to incur a debt, ask yourself 'Will my income justify it?' for only steady income will pay the debts of average people."

Today, many people, formerly good credit customers, find themselves seemingly hopelessly in debt. They have the willingness to pay, but because of short hours, or complete unemployment, misfortune, or lack of cash surplus, find it impossible to pay or reduce their indebtedness.

Customers of this character, honest of purpose and intention, constitute a major problem in retail credit today. They represent the "frozen assets" on the books of retailers and tie up much of the retailer's capital. Customers of this type usually appreciate the value of good credit and strive to do all they can to preserve their record built in former years. They feel it their duty to keep in constant touch with their creditors, informing them of any change in their status and what the prospects are for reducing their obligations.

It is wrong to avoid creditors even though unable to pay. Most creditors feel more kindly toward customers who make a regular report as to their condition than they do toward those who resent being rightfully questioned about their financial affairs.

If your bills are more than you can consistently pay in full, you should make it your business to see your creditors and make a definite arrangement to pay them in part at the earliest possible time. Going to your creditors need not cause you any embarrassment or inconvenience. The credit men of our retail stores are human and understanding. They will meet you more than halfway.

Unfortunately, because of economic conditions, there has been a tendency for some customers, well able to pay, to take advantage of the situation and delay payment as long as possible. This practice is not only unfair to creditors, but is destroying the good credit record established by these customers in former years. To delay payment of obligations unnecessarily, or to declare a so-called moratorium of your obligations, are two factors that will operate not only to slow up business recovery, but seriously affect your future credit standing.

Few people realize that merchants are just human like themselves with promises to keep and bills to pay, too. Merchants count on you to keep your promises to pay your obligations when due, because the money you owe them is necessary for the conduct of their businesses.

Credit is a convenience, and when you fail to keep your agreement, to pay within a specified time, your creditors lose faith in you and you, in turn, jeopardize your credit standing. Credit, likewise, is a blessing. Once you are without it you will realize its great advantages. But you will always be able to enjoy credit by playing fair with your creditors, which means keeping your promises and paying your bills when due. By doing this, you maintain your credit standing and free your mind of troublesome worries.

Nothing gives one quite so much confidence and self-respect as does the prompt payment of bills, and those of you who have formed this worth-while habit, have the satisfaction of knowing that in time of need credit is cheerfully, promptly and generously extended by merchants with whom you have dealt fairly.

» » »

### Self-Education Means Self-Betterment

After a strenuous day's business, I know the easy thing to do is to go home and go to sleep in front of the radio. But don't make this a habit. Devote at least one evening a week to self-education. Read everything in *The CREDIT WORLD*, and when you read an unusually good article, try and write a better one on the same subject, and see how far you will get with it.

By all means, if you have not taken both credit courses of the Educational Department of the National Retail Credit Association, organize a class at once. Do not admit that you are getting too old to learn some new tricks, but keep in mind that—

"A little learning is a dangerous thing,  
Drink deep, or drink not, of the  
Pierian Spring."

—W. C. MILLER, *Credit Manager*,  
*Jno. A. Meadors & Sons, Nashville, Tenn.*

## Visible Records for Better Control

(Continued from page 9.)

These red tabs are warning signals and at frequent intervals an alphabetical list of these names is typewritten in triplicate, the copies being placed at different places on the sales floor where each salesperson may refer to the list.

C. L. Dulaney, managing executive of the business, explained that the purpose of this "red-tab" list is not to discontinue selling to these customers but that when any of them come to the store and ask to charge further purchases, such charges cannot be authorized until he has had a personal talk with them. "Our policy," he said, "is to have a definite understanding with our charge customers; to insist that accounts shall be paid, but at the same time to make those collections and retain the customer."

When a red tab is placed on a card and the collection routine is started on that account, all the information regarding the progress and other details is filed with that card. Thus, all information regarding a delinquent account is in one place instead of being scattered through other files and books.

This plan of concentrating all charge account details in a visible file, instantly accessible, is no doubt one of the reasons why this firm's credit losses have averaged less than one-tenth of 1 per cent on the total credit business done by the store, a record that is equaled by few establishments of this kind.

## BARGAINS IN LUXURY



For as little as \$3.00 a day you can enjoy the luxury and Minute Man Service of this famous hotel. Located in the smart Grand Central Zone, one block from Park Avenue. Restaurant prices are amazingly economical, too—luncheon 65c and dinner with dancing, \$1.00.

## HOTEL LEXINGTON

48TH AND LEXINGTON AVENUE • NEW YORK  
Under Ralph Hitz Direction • Chas. E. Rochester, Manager



# Toledo's Special Reporting Service Provides Better Delinquent Account Control

By VICTOR COMTE

Educational Director, The Merchants Credit & Adjustment Company, Toledo, Ohio

**N**EVER before has the question of credit control been so important as at the present time. In our anxiety to encourage trade, we have overlooked the fundamentals of sound and sane credit. As a result, we find ourselves overloaded with accounts which it will take a long time to liquidate and on which we shall,

Form 40

SUBSCRIBER No.

NAME **Doe, John**

ADDRESS **254 Perry Street**

FORMER ADDRESS **1725 Maple Street**

CODE

|      |    |   |      |     |   |      |     |   |
|------|----|---|------|-----|---|------|-----|---|
| JAN. | 82 | S | MAY  | 73  | S | SEP. | 74  | S |
| FEB. |    |   | JUNE |     |   | OCT. |     |   |
| MAR. | 17 | S | JULY | 192 | S | NOV. | 163 | S |
| APR. |    |   | AUG. |     |   | DEC. |     |   |

CODE: "S" Still Selling. "C" Collection Account. "P.P." Payment Plan.

**Fig. 1**

without doubt, have to take large losses. If we are to avoid making the same mistakes in the future that we have in the past, it is not enough to know what our customers owe us; we must also know what they owe others.

The Merchants Credit and Adjustment Company of Toledo, appreciating the seriousness of the situation, set itself to work a little over a year ago, formulating plans to overcome this apparent weakness in our present system of credit granting; the result being the establishment of our "Delinquent Account Control," which has now been in operation for the past year and through which the principal retail merchants of Toledo are now being served.

This being a special service, naturally those receiving the service must pay for it. The cost, however, is very slight, considering the information furnished. Our charges are based on the number of reports furnished.

Following is the plan:

The merchants are furnished with 3" x 5" cards (Figure 1) on which they note the balance due on the line following the month in which they are reporting, giving dollars only, omitting cents. Immediately following this, in the column headed "Code," they place the code letter which explains the status of the account for the benefit of the other members interested. They report all accounts on which at least \$15 is more than four months past due. On such accounts, the entire balance is reported, whether due or not.

As these cards arrive at the bureau, they are totaled by letters of the alphabet as to the number of cards and the

total sum they represent. These totals are entered on sheets for bureau statistics. After this, the cards are accumulated where more than one store reports on the same person and these are placed together so that the typist may type a report for each merchant reporting. The balance of the cards are those where only one store has reported an overdue balance.

These are then compared with the master card of the individual in the bureau files and the numbers of all subscribers found on the master cards are noted on the back of the card (Figure 1).

We now come to the making up of the report, for which we use 3" x 5" sheets (Figure 2).

The cards (Figure 1) are now separated as to the number of merchants interested and we are now ready to type. A report for each merchant having reported is furnished (Figure 2) and a copy is retained for the bureau records.

On the cards on which only one store has reported and which have been compared with the bureau records, a report is sent to each merchant who has ever made inquiry on the party. (Figure 3.)

On Figure 2, the first number indicates the subscriber. Following this is the amount due and the letter suffixed is the code letter.

Figure 3 shows the amount due the merchant reporting and the numbers in the lower margin indicate those merchants who have at some time or other had dealings with the party.

Form 41

MERCHANTS CREDIT & ADJUSTMENT CO.  
TOLEDO, OHIO

NAME **Doe, John, J.**

DATE **November 1932**

ADDRESS **254 Perry Street**

|     |     |    |
|-----|-----|----|
| 120 | 163 | S  |
| 60  | 42  | C  |
| 22  | 320 | PP |
| 10  | 160 | S  |

**Fig. 2**

This service has enabled us to accumulate data which we consider very valuable. For example, we found that the group of merchants who are using the service are carrying about 12,000 accounts amounting to \$800,000, averaging \$67 per account, part of which is at least four months past due.



We also found, by analyzing a certain number of accounts which have been referred to us for advice, that this group of merchants represented about 33 $\frac{1}{3}$  per cent of the whole amount.

On this basis, the amount carried by the merchants of this city would be \$2,400,000 in past due accounts which at the rate of 6 per cent represents an annual carrying

the lack of trade references except one which must be offset by the sharing of office space, and the friend proving in reality to be merely an acquaintance. The particular equation machine through which this one was put returned an answer certainly not over 50 per cent and a refusal resulted.

Another one:

Mrs. V. A. in a fair to cheap residential section of the city operates a beauty parlor at home, Mr. A. being a mechanic at a local factory. They have a small account at a savings bank. A furniture store and a neighborhood grocer are their only references. First we get the report from the bureau:

Record for eight years

|          |       |    |    |                    |
|----------|-------|----|----|--------------------|
| W. A.    | 80.00 | HC | 0  | owing slow         |
| Hardware | 29.00 | HC | 10 | owing fair to slow |
| Tire Co. | 14.00 | HC | 0  | owing slow         |
| Grocery  | 18.00 | HC | 3  | owing prompt.      |

Mr. A. is working on part time and has been for several months. Prospects for resumption of full-time work are indefinite.

We assemble our various factors.

Apparently established for 8 years in a fair to cheap residential neighborhood. Two sources of income; two fair to prompt accounts, two slow accounts; Mr. A. working only part time and Mrs. A. engaged in a business that at best returns but a meager income. When these terms are put together I think the answer should lie not much above 50 per cent and certainly not as high as 65 per cent if indeed it should reach the halfway mark.

Have I illustrated my point? That in these borderline accounts there are usually several factors to be considered, and the answer depends entirely upon the coefficients you assign to each. To leave our mathematical simile each fact developed in the application bears a definite relation to the whole problem. Certain favorable or unfavorable points may be nullified by other considerations.

If we expect to be a success in our work we must learn to use our reasoning powers to sum up these facts and in doing so to look behind the facts to find the human values. The all-important thing in considering these doubtful accounts is the giving of the proper weight to each fact. After all, we are dealing with human beings, no two alike in actions or mental processes so that when we explore the borderline we must be careful to evaluate the problem correctly. This is the time to drag out the equation machine, the time above all others to use our heads.

## Saint Louis Elects Behrens— Second Term As President

Ray Behrens, Credit Manager of the Industrial Loan Company of St. Louis was re-elected President of the Associated Retail Credit Men of St. Louis. This is a second term for Mr. Behrens, who has been an active leader in the St. Louis Association for years.

MERCHANTS' CREDIT & ADJUSTMENT CO  
TOLEDO, OHIO

Form 41

Name **Brown, Frank, P.** Date **November 1932.**

Address **1100 Greenwood Ave.**

60 42 C

120 22 11 24 16

**Fig. 3**

charge of \$144,000. This interest charge alone would support 185 families for one year, allowing \$15 per week for each family.

Also if the merchants had the use of the amount they have tied up in these past due accounts and assuming they had four turnovers per year, with a mark-up of 35 per cent, it would enable them to do approximately \$14,609,000 more business.

I believe we are at the threshold of a new era in credit granting. The credit men or women of the future will demand more particulars about those whom they have on their books and whom they contemplate taking on. A report, as to pay habits, will not suffice if they are to control their accounts. While I do not claim this service to be a cure-all I do maintain that it is a step in the right direction.

» » »

## Borderline Accounts

(Continued from page 11.)

Again:

Mrs. P. H. applies for credit to the extent of \$60. Mr. and Mrs. H. represent a Los Angeles company distributing beauty products. They have been in the city a year and a half sharing office space with a woolens company. They live in an apartment. References given are two; the woolens company from whom Mrs. H. purchased the material for a coat, and an attorney, a friend who knew Mr. H. several years ago.

The credit bureau reports no record.

Our equation here includes positive terms of 1 $\frac{1}{2}$  years in the city and no derogatory information. Mrs. H.'s personal appearance, I am told, was also decidedly positive, as is the one account with the woolens company when checked.

But there are several terms to which negative signs must be given; the character of the business (beauty products), the inevitable final impermanency of the business,



# THE PRESIDENT'S MESSAGE

ARTHUR P. LOVETT

President National Retail Credit Association

**I**N A previous article it has been noted that due to the present business crisis some of the members of the organization have been devoting less time to their credit affiliations. There has been a lack of interest toward credit affairs.

Some of those who are stepping out of the work have been the older men. These are the men who have been with the organization since its very inception.

As any organization must, this one has been taking in younger men. In their interest and eagerness, they have "pitched in" and have taken over a good deal of the work of the organization.

Do the older men feel that they are being pushed out? Do they think their services are no longer needed? If so they have taken the wrong attitude. They are needed now as much as ever, in fact, more than ever.

They are the men who have the knowledge gained by experience to cope with the present situation. They are the men who built up the membership of the organization and who, now, should not only help it by coming back to it but should be at hand to give help to the younger, less experienced, men in adding to the membership.

Your President has made an effort to draw these men back by asking them for organized help. He has created what he terms the "Old Guard" Committee.

The Chairman of this Committee is Leopold L. Meyer, of Foley Brothers Dry Goods Company, Houston, Texas. Though formerly quite active, Mr. Meyer has of late not been as active as many desired. However, he answered the call and with his committee is seeking to cooperate with the younger men and give the needed help.

The actual committee consists of about twenty-five men, but naturally that does not include all the old guard. The committeemen are renewing their old activities.

Further than that through their work they are bringing back many old members. As each man checks up locally he finds men who were in the

organization with him but who have since dropped out and he can stimulate their interest again.

This is a highly commendable movement, wholly to the interest of the organization, which needs these men.

Mr. Meyer certainly deserves a great deal of credit for the way in which he stepped into the breach and at once did the work asked of him.

With the good of our credit organization in mind let's all cooperate with Mr. Meyer and his "Old Guard" Committee and bring back our old members. Finally, you "Old Guard" members come back to the organization where your services and help are needed and will be respected.

Let us all cooperate, old members and new, to push forward our beloved National Association for the good of all credit executives and credit bureau managers.

» » »

## Intangible, But—

**M**EMBERSHIP in the National Retail Credit Association is often not given its proper value because few can place their finger on any particular feature which has benefited an individual Credit Manager or a particular store. Yet the National Retail Credit Association is the most potential force for the promotion of sound credit, prompt payments, ethical practice and standard policies, all so essential in making Consumer Credit a valuable and profitable feature of retailing.

Economists marveled at the stability of Consumer Credit during the past five years. It was found more sound than any other type of credit. We know this was due to our having an organization like the National Retail Credit Association—whether they realized it or not. Twenty thousand credit managers, members of the National Retail Credit Association, had listened to its teachings, 180,000 had used its Bureau service, followed its suggestions for standard and ethical practice. Yes, membership is intangible, but it is doing your share to make retail credit sound.

# WORTH NOTING « «

## A Digest of Credit News For Quick Reading

### New Credit Courses

The Tulsa (Okla.) Credit Study Class is one of the largest ever enrolled under the auspices of the National Retail Credit Association.

The Associated Retail Credit Men of Tulsa appointed a Credit School Committee of which J. C. Rayson is Chairman. In a short time, 103 students were enrolled and 95 of these were present at the opening session. A unique feature of the course is a personal inspection of the Credit Bureau where Mr. Rayson explains the entire system in detail.

The latest addition to the Credit Study classes of the National Retail Credit Association is Atlanta, Georgia, where L. S. Gilbert, Manager of the Credit Service Exchange enrolled forty credit men and women.

» » »

Some retailers have become interested in a new discount plan based upon the Christmas saving idea. It calls for giving customers a discount of 2 per cent on all sales of 25c or over in cash sales and on charge accounts paid when due. Savings certificates are posted in a book, somewhat similar to the trading stamp plan and redeemed as a Christmas fund on December 1.

» » »

Conferences of Credit Granters and Bureau Managers are scheduled as follows:

|                   |                                 |
|-------------------|---------------------------------|
| Columbia Regional | Washington, D. C., Feb. 20, 21  |
| New York State    | Schenectady, N. Y., Feb. 20, 21 |
| Southern          | Savannah, Ga., March 20, 21     |
| Nebraska          | Lincoln, Neb., May 14, 15, 16   |
| Louisiana         | Lake Charles, May 15, 16        |

» » »

J. C. Flahaven, Chairman of the Legislative Committee of the Retail Credit Association of Minneapolis states that a number of bills now pending in the Minnesota Legislature will, if passed, handicap the credit granter. He has called upon all retail credit managers and store owners in his state to give whole-hearted support to his committee to prevent this drastic legislation.

» » »

F. E. Willis, for many years credit manager of Mandel Brothers, Chicago, a Past Director of the National Retail Credit Association and President of the Retail Credit Men's Association of Chicago, has resigned and become connected with the John Hancock Life Insurance Company. His duties at Mandel Brothers have been taken over by J. D. Kemper, Office Manager.

### 1933 Convention Notes

H. C. Stroupe, Chairman of the Registration Committee of the Annual Convention of the National Retail Credit Association (to be held in Memphis, June 20-23) announces that advance registrations received give every indication of a large attendance.

\* \* \* \* \*

M. G. Riley, Secretary of the Kansas City Retail Credit Association, has organized a motor cavalcade and expects to bring a large delegation by automobile.

\* \* \* \* \*

One of the objectives of the "Old Guard" Committee, of which Leop. L. Meyer of Houston is Chairman, is promoting an educational program and a large attendance at the Annual Conventions of the National Retail Credit Association.

Chairman Meyer is showing the other committee members how to do it by organizing a party of twelve in Houston, who will attend the Memphis Convention. Mr. Meyer has also reserved a suite at the Peabody Hotel.

\* \* \* \* \*

Other advance reservations are from Ohio, Michigan, Oklahoma, Georgia and Minnesota.

» » »

During 1932—126,429 derogatory items were reported by members to the Credit Bureau of Greater New York. These, with court records of judgments, etc., made a total of over a quarter of a million items reflecting adversely on credit posted on the records of the New York Bureau.

» » »

Bank failures caused additional trouble for retail credit managers because of the liberal policy of most retail stores in cashing checks. Many retailers found themselves holding checks on closed institutions, in addition to a large number of charge customers having all their funds tied up.

» » »

L. S. Crowder, formerly General Retail Credit Manager of Montgomery Ward & Company, Chicago, has been appointed Manager of their Jamaica, Long Island, New York store.

This is the largest store unit of the Montgomery Ward & Company organization and Mr. Crowder was selected as Manager because of his exceptional qualifications as an executive. Mr. Crowder is a Director of the National Retail Credit Association and in 1917, as Vice-president, he filled the unexpired term of President Taylor.

# When Applying for Credit, the Applicant May Give You Two or Three References—

*But Make No Mention of Poor Rating at OTHER Stores!*

## PROTECT YOURSELF!!

**Your Credit Bureau Has His Complete—Up-to-Date—Record!**

**GET IN TOUCH WITH THE BUREAU IMMEDIATELY!**

**If His Record Is Good—You Make a Sale—If Not, You Cannot Lose!**

*To Accomplish This Safely—*

**Ask Your Bureau Manager for Telaarograph Service**

**BECAUSE**

**T**ELAUTOGRAPHS will permit you to WRITE over wires direct to the Bureau, without the knowledge of the applicant, and secure a reply, in handwriting, giving you the information desired, and so quickly that neither the prospective customer nor the Credit Grantor will realize that any time has elapsed. This will allow you to obtain new and good accounts for the store more quickly than with any other manner of operation and build up good will (so necessary these days) for the store. Verbal communication in the presence of a prospective new customer is not only obvious and embarrassing to both the credit man and the prospective customer but, in event of error on the part of the human element involved, its failure to leave a record will always allow shifting of responsibility. There can be no "passing the buck" when telautographs are used.

**W**ITHOUT good merchandise your advertising would avail you nothing, whereas with excellent merchandise your advertising does attract new customers daily. Many of these, accustomed to saying "charge," and who have good ratings elsewhere, will resent slow granting of credit, and likewise become offended easily. Consequently, all applicants should receive immediate attention and accounts opened at once or rejected courteously. If only one account is lost each day because of delayed or embarrassing action, all the advertising and your fine stocks fail to make good—not only this one lost customer but also the possible loss of those friends to whom he or she will criticize your methods.

**Telaarograph Service to Bureau Costs About \$1.00 Per Day**

**(YOU SUPPLY WIRES AND CURRENT)**

**Increased Sales and Insurance Against Error in Transmission!**

**PLUS**

**Absolute Protection Against Offending Good Credit Applicants**

**Positive Record Preventing Credit Granting to Unsafe Accounts!**

**22 Bureaus Now Use This Service**

**Ask Us to Send Our Man to See You—No Obligation of Course**

**DEPENDABILITY**

**ECONOMY**

**SERVICE**

**TELAUTOGRAPH CORPORATION**

**FACTORY AND GENERAL OFFICES: 16 WEST SIXTY-FIRST STREET, NEW YORK, N. Y.**

**We Have Forty-Five Branch Offices Serving Over 450 Cities in the United States**



# Effective Statements— Better Collections

By E. J. MacEWAN

Manager, Morris County Credit Bureau, Morristown, N. J.



**A**RE your statements successful? Do they immediately indicate to your customer that you are a good business man—that you really expect your money in 30 days? Do your statements have dignity, a real advertising value—and—do they get results?

A successful collection record today demands that all of the above questions be answered 100 per cent in the affirmative. In addition, they must be received on the

first of the month. Many small firms as well as large ones close their books between the 25th and 28th in order that their statements may be received not later than the first and possibly just before.

It is a case of the old axiom "First come, first served." One retailer just recently completed an analysis of his accounts and found that 70 per cent of his accounts were paid between the 15th and 20th. He changed his billing date so that his accounts ran from the 14th to the 14th. His statements are now received by his customers on the 15th or 16th and his collection percentage has increased 14 per cent.

Study your local conditions; ask your banker to analyze his deposits to find out during which period of the month they are the heaviest. Don't think you can't change your routine but—don't change until you have gathered all the facts.

Most business and professional men and women who are members of a local credit bureau are losing a splendid opportunity to educate their customers and at the same time increase their collection percentages by failing to capitalize on their membership. The phrases "MEMBER.....CREDIT BUREAU" printed at the top or bottom of the statement has a psychological effect that, in practically all cases where our members are using it, has been eminently successful.

It tells a customer that you are a business man using business methods. It creates respect and stimulates collections. It seems to guarantee that your terms are as stated elsewhere on the statement. Our experience has shown us that this slogan must be printed.

A rubber stamp, on the other hand, has made many people angry because they think they are being singled out for special treatment. Never, however, have we had a comeback from the printed form. You are educating your customers, through this method, to pay their bills promptly. You are helping your credit bureau take its rightful place as an institution for good in your community.

In a community where thousands of statements are being sent out each month, carrying the slogan "MEMBER.....CREDIT BUREAU," that community quickly learns that "there is a reason."



A few sample statements—note the line: "Member Morris County Credit Bureau."

# Rouse the Sleeping Giant!

Careful Effort Will Increase Your Membership—  
Careful Planning Will Do the Rest

By PAUL K. BRYANT

**W**HY don't more people attend our credit meetings?" "Where is old so-and-so?" "Where is Miss Blank, of Smith & Company, who used to be here so regularly?" "Why doesn't every credit man in the city seize upon the opportunities which the credit association offers him to be of service, not only to his firm and community, but also to himself?"

These, and dozens of similar questions are constantly being asked among the different credit groups. There is no argument against the value of such gatherings. The contacts there make for increased efficiency, and increased efficiency is the forerunner of increased salary.

Still in every city in this country there are dozens—even hundreds—of men and women handling credits who do not belong to the association, much less take an active part. But why? The answer lies partly in the fact that the credit man is tired out after a hard day's work and wants to go home or to some place where he can relax and get his mind away from the cares and trials of the office.

He does not care to go to some meeting where he will be bored by a long-winded speaker dwelling on a subject that is old routine to him even though it is often new to the speaker. Remember this: programs *have been* prepared with sufficient power to draw even the most indifferent, where ample time was given by those in charge.

Then perhaps he has not been solicited hard enough. He sees a few attending, maybe someone mentions to him that they are having a meeting week after next, and that is all. There are people whom it is necessary to "rope and hog-tie" in order to drag them anywhere, but after you get them there your trouble is to get them away.

Many a wife could testify to this trait from experiences had in trying to get friend husband to a party. After two hours of threatening and pleading she finally gets him there, and on his way home he declares he had the time of his life!

*So compile a list of all who are eligible, and then go get them! They will thank you for it later.*

A third and perhaps graver reason for lack of attendance can be termed the neglect of the little fellow. His problems are rarely, if ever, mentioned. The best method of handling each sale is relatively more important to his firm than to that of the large operator, as the smaller his volume the less he can afford to lose.

Too often he finds the meetings dominated or controlled by a small group whose discussions leave him entirely out. After a few visits he sees that he is not

needed, so away he goes. These so-called little fellows are in the big majority, and provide a fertile field for new faces. If proper courtesies are extended, they will soon build your membership up to that point where it rightfully belongs.

Of course, all of the above does not apply to luncheon meetings, or meetings held by kindred groups for the exchange of ledger experiences on individuals who are becoming slow. These meetings have a definite purpose and so attract those who are actually interested in certain particular accounts.

But when you call together your entire association for its regular meeting, with a large audience including men and women whose tastes, interests and kinds of businesses are as varied as if they each came from a different part of the country, then you certainly have your hands full in giving them something which will bring them back regularly.

How much actual time and thought do you give to the programs offered at the meetings in question, to the end that the credit men and women will not only be glad to return to the next meeting, but will really be anxious for the date to arrive? If you can get them to enjoy each other's company their future attendance is practically assured.

A well-balanced meeting should be divided about as follows:

6:00 to 6:30 P.M.—Getting acquainted  
6:30 to 7:15 P.M.—Dinner  
7:15 to 7:30 P.M.—Entertainment  
7:30 to 8:00 P.M.—Business session  
8:00 to 8:30 P.M.—Speaker; discussions; other features  
8:30 P.M. Sharp —Adjournment, allowing those who wish, to remain for a "round-table" talk or committee meetings.

The main idea behind all successful meetings is to keep all the members feeling that they are "a part of it." Not so many years ago credit meetings had big drawing power because the whole thing was so new; a course of procedure was being charted through unknown seas; each experience was a new experience.

Today, while the evolution still continues, fundamental facts have been established and the basic rules for granting credit are well known. The main work of the credit association now lies in better acquainting the credit people with each other. *Closer-knit community credit policies naturally follow.*

To obtain the large audience mentioned above, is a very difficult task in itself. To forestall excuses, it is

well to set your meeting date as near the middle of the month as possible, say the third Tuesday in the month. Thus they cannot plead that they are too busy getting out statements, or working on follow-ups on the tenth.

Having drawn up your program, arrange it attractively and have it delivered to the members on the Monday preceding the meeting, either with, or as a part of, the bureau bulletin. Incidentally, a few cartoons dealing with the subject matter help to make it more effective, and if you are not adept at this sort of drawing, any letter shop will assist you, and for a very nominal sum, design special tickets, suitable to the occasion, and then go out and sell them.

Calling the members or writing personal letters helps, but if you get their money you can depend on them to be there. All members should be seen as early in the week as possible, before they have an opportunity to make other engagements. Invite a certain number of prospects as guests. By Wednesday you will have a good idea of the size of crowd to expect and can make all arrangements accordingly.

The next move is to furnish the newspapers with information concerning the meeting, and if an important speaker or unique entertainer is expected, publish their photographs. Thursday morning a brief announcement of the meeting should also appear in the papers, as well as various advance notices from day to day on the bureau or association bulletin. The more publicity you get, the more will attend.

Many credit people attend few public functions except those of the Association, so these dinners, while informal, should take on the appearance of a regular banquet. Keep the organization on a par with the other clubs in this respect, and select for a meeting place an establishment of enough prestige to make them proud to be a member, yet without costing too much.

Space should be arranged for them to meet and mingle in a pleasant social half-hour before being admitted to the dining room. Someone must be on hand early to introduce the newcomers and to see that none are left sitting off by themselves.

Some people are naturally retiring, but if they attend a meeting you can be sure that they appreciate being noticed, even if they do not respond to it outwardly. Mix them up, get them to laughing, let them meet all of the officers, introduce the new recruits to the old major domos, make them feel that now they are "one of the bunch." Of course, you think that you do this, but get a new member to tell you some time what his feelings were the first few times he attended. If he tells you the truth, you may be surprised!

Exactly at six-thirty, or the hour set for dinner, the doors to the hall should be thrown open. The table should be decorated according to the season or occasion. If you will ask one of your florist members, he will be glad to furnish flowers and help decorate. Toy balloons can be secured from advertisers and help add to the gaiety of the event.

Many other advertising objects, from pencils to bottle openers can be secured to use as table favors, and you will notice that all of these will be taken home—perhaps to help the credit man prove where he has been! The flowers will all be taken away, likewise.

The table set-up should be changed from month to month, long tables one time, individual tables the next, etc., as well as widely varying decorative effects, and even the lighting can be altered with a few colored bulbs. An electric chair that matches all the rest helps make the evenings interesting as after its first appearance everyone will examine their chairs carefully before sitting down. This chair can then be arranged for the late comers, and will create much amusement.

An orchestra, or some sort of music, should be provided, giving the dinner a perfect background. Without music, the walls will seem bare and the lights glaring, and conversation will consist of a few conscious titters. Soft music should be played during the meal, but with the serving of the dessert, however, the orchestra should begin to do its stuff—let them earn a little applause. But when the meal is over and the dishes removed, stop them and call the meeting to order.

Some time during each meeting given them a surprise. Make it anything from the farcical arrest of one of the most law-abiding members, to a spelling bee, or a tap-dance by the president's wife. Whatever it is, it should be carefully planned and rehearsed and given only after making sure that it will not offend. Even these rehearsals and program plannings help to weld your members closer together.

If the secretary knows his members as he should, he can uncover many a light which has been hidden beneath

*(Continued on page 29.)*

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## Now It Is "Colonel Bob"!

The thousands of friends of Robert Stern, Credit Manager of A. Harris & Company, Dallas, will be pleased to learn of his being commissioned a Colonel on the Staff of the Governor of Texas.



Colonel Stern has been a loyal and tireless worker in the National Retail Credit Association having served on the Board of Directors and many important committees.

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# WASHINGTON BULLETIN



R. PRESTON SHEALEY

Washington Counsel, National Retail Credit Association

## FOREWORD

**N**EWSPAPER articles have somehow or other given the impression that the pending bankruptcy measure is permanent in character and in substance a general revision bill. That is not the fact and it would occasion no surprise if, when the bill finally becomes law, there shall be a provision limiting its operation to a definite period.

The Senate and House bills, S. 5551 and H. R. 14359, have three general subdivisions: section 74, relating to compositions and extensions for individuals; section 75, corporate reorganizations; and section 76, railroad reorganizations.

Chancery reorganization of corporations and railroads has in the past been found to be slow, cumbersome, and expensive. The purpose of these bills is to take advantage of the power of Congress under the Constitution to enact a uniform system of bankruptcy to avoid, as far as practicable, the ills mentioned pertaining to chancery proceedings. The individual, threatened with foreclosures but who, if given time, may work out of his difficulties has been taken care of by the provisions of section 74.

The bills, however, are so new to American jurisprudence as to cause hesitation on the part of many sincerely interested in the country's interest and it is with this thought in mind that the operation of the bill may be made temporary in character, leaving it to a future Congress to re-enact it if the provisions of the measure have shown themselves by experience to be suited to the country's needs under normal conditions. It is the understanding, however, that a general revision bill will be considered by the incoming Congress.

## Legislative

(a) Early in January Senator George of Georgia and Representative Cox of that state introduced bills for refinancing of farm mortgages through the Reconstruction Finance Corporation and on January 27, at the bankruptcy conference in Washington, a representative of one of the large national organizations offered a similar suggestion. It is expected, however, that the passage of the emergency bankruptcy bill will to a degree provide some relief in this situation.

There is also a proposition on foot to provide one billion dollars of federal funds to be used for the Federal Land Bank system in farm mortgages.

(b) Government reorganization is not expected to make any progress during the short session of Congress but will go over to the coming special session. By that time, however, investigations now being made under the direction of the President-elect will have taken shape and reorganization will be an early measure to be considered by the special session of the 73rd Congress.

It will be recalled that at the commencement of this Congress President Hoover sent to Congress a plan for reorganization and consolidation of government departments but the latter part of January the House by a resolution, sponsored by the majority, opposed this plan and thus blocked it.

A subcommittee of the House Ways and Means Committee, Representative Vinson of Kentucky, Chairman, has reached the conclusion that the present system of taxation in America is complicated, cumbersome, and in many respects inequitable and that the tax burden, especially on certain specific objects, is reaching the breaking point.

The House Ways and Means Committee on January 20, decided against revenue legislation at this session. Of course, this means no reduction in first-class postage until the special session meets.

The Ways and Means Committee has assumed jurisdiction of this matter *declaring the present three-cent postage to be revenue legislation*, and therefore the sentiment in the House Post Office Committee for reduction has been rendered futile for this session at least.

How the present deficit of around two billion dollars is to be handled by the special session of the incoming 73rd Congress is a large question. Reorganization of the government departments and possible changes in veterans' legislation is expected to reduce somewhat expenditures; previous expenditures for public works may be capitalized by a bond issue; and the beer tax plus a possible increase in the gasoline tax is expected to account for sufficient additional income to balance the budget normally.

## Departmental

(a) The general average of commodity prices, as shown by Bureau of Labor statistics, since October 1, last, shows a marked drop. The figures on October 1, are 65.41 and on January 28, 1933, 60.4. Figures for the corresponding period in special lines are as follows:

Farm products, 49.5, 41.3; foods, 62.0, 54.1; textile goods, 56.04, 51.8; and house furnishings, 74.6, 72.8.

There are some indications, however, of a checking in the decline of wholesale price commodities as indicated by the above figures. A comparison of general check and inter-district banking clearings for 1930, 1931 and 1932, shows a marked decline running from about one hundred fifty billions in 1930 to around ninety billions for 1932.

(b) Questionnaires on the sixth Semi-Annual Retail Credit Survey were mailed out February 1 to merchants located in twenty-eight representative cities throughout the country. This survey covers the periods July to December, 1931 and 1932, and is conducted jointly by the United States Department of Commerce and the National Retail Credit Association.

A new feature of this survey is the addition of three cities, namely, Atlantic City, Beaumont and Houston, Texas, and the inclusion of Auto Accessory Stores with the seven lines of trade already covered: department, furniture, jewelry, men's clothing, shoe, women's specialty and electrical appliance stores. Significant information will be presented for yearly totals on kinds and extent of credit and bad debt losses for the years 1931 and 1932, as well as detailed information for the last six months of each year.

(d) The manuscript on "Causes of Bankruptcy Among Consumers" is now in the hands of the Public Printer. This report covers a detailed analysis made by the U. S. Department of Commerce of 266 consumer bankruptcies which occurred in Boston, Mass., during the period November, 1930, to June, 1931.

In this study the relative importance of the various causes of failure is determined. It is felt that this type of investigation will contribute greatly toward reducing the number of bankruptcies through the concerted action of legislators, credit granters and debtors.

An unbiased interpretation of many bankruptcies and the reasons for their occurrence provide facts which necessarily must be considered before preventive and remedial measures can be formulated. This type of information should be particularly interesting to the retailer.

## Court Decisions

(a) The Supreme Court on January 9, in *Johnson, et al. v. Star*, held that the Texas statute permitting voluntary assignments was not within the meaning of the bankruptcy act and, therefore, cannot be held to be an act of bankruptcy.

In substance, a Texas debtor may make a voluntary assignment under these statutes and, as to creditors consenting and receiving not less than one-third of their claims, is discharged as to such creditors. "Nonassenting creditors take nothing under the assignment but may garnishee any excess remaining after full payment of consenting creditors and the expenses of executing the assignment."

The Supreme Court of Texas has described this law in the following language:

"The statute in question is in no sense an insolvent law, providing for the discharge of a debtor by a compliance with its terms without the consent of the creditor; but is a statute which, for the better protection of creditors, prescribes a mode for the administration of the estates of insolvents under assignments made by the debtors themselves, which would be good at common law, unaided by the statute, and, like any other trust, could be enforced in a court of equity in the absence of a statute providing a mode of administration." *Keating v. Vaughn*, (1884) 61 Tex. 518, 524.

(b) Correction of the ills of the coal industry means much to the United States. The outcome of the Appalachian coal case, which was argued in the Supreme Court of the United States (January 9, 10), is therefore of considerable importance to the country. It will be remembered that coal operators formulated a plan for sale of coal through regional sales corporations but that this plan was attacked by the Department of Justice upon the ground that it violated the Sherman Anti-trust Act.

A three-judge court sitting at Asheville, North Carolina, last October sustained the Government's contention and it is on an appeal from that decision that the case was argued before the Supreme Court. On January 6, the Cotton Textile Institute, Inc., the Window Glass Manufacturers Association and the National Lumber Manufacturers Association, intervened in this case as *amicus curiae*. The case has not yet been decided.

(c) In *American Surety Co. v. Marotta*, the Supreme Court on January 9, decided that "the word 'creditors' as used in sec. 3a (1) (of the federal bankruptcy act) is not to be restricted to those whose claims are provable at the time of the fraudulent conveyance." The petitioner in this case did not have a demand claim presently provable at the time the property was alleged to be fraudulently transferred.

The claim maturing after the transfer, petitioner endeavored to set it aside under the provisions of the bankruptcy act. The Circuit Court of Appeals for the First Circuit held that the claim not being provable at the time that the transfer was made the petitioner could not set aside the transfer but the Supreme Court has reversed this decision and in doing so, and for the purposes of setting aside such transfers under the bankruptcy act, has held that the word "creditors" as used in section 1 (9) is inclusive of contingent claims.

» » »

Government statistics show 1,549,144 retail stores in the United States.

### POSITIONS WANTED

OFFICE AND CREDIT MANAGER—of Western store of national organization—available for position due to closing of local store. Married, age 45, good health. Broad experience, mature judgment, clean record. Will go anywhere. For full details address: Box 21, "Credit World."

# Don't Cancel Your Insurance When You Hear the Fire Alarm!

By DANIEL J. HANNEFIN

**H**AVE you ever been wakened in the middle of the night by the shrill screaming of the fire siren? And wondered, for one long heart-straining moment, if it was going to stop at *your house*—while your mind did some lightning-fast checking up on your fire insurance?

Did you ever, in such a moment, rush to the phone, call your insurance agent and shout: "Cancel my fire insurance"? I'll say you didn't.

Yet that's just as logical as the action of some retailers who, in the name of "economy," cancel their sources of credit protection by cancelling their memberships in the local and national credit associations!

*Retailing* (December 5) reports the joint meeting of the Controllers of Minneapolis and St. Paul: "In discussing insurance it was emphasized that adequate protection was never more essential than at the present time.

"Cutting down the overhead at the expense of protection was said to be false economy.

"In these times of stress, more and more people are resorting to innumerable tricks and rackets to get excessive damages from stores," the Controllers said. Numerous instances were cited.

Substitute credit protection for insurance in those quotations. Doesn't every word apply with equal force?

Surely, *adequate credit protection* was "never more essential than at the present time." Certainly the statement, "Cutting down the overhead at the expense of protection is false economy," is as true of protection from credit losses as it is of protection from fire or burglary losses!

What's the difference? I'll tell you. One is tangible—the other is intangible. Fire is a tangible

thing. If your store burns down—you stand and watch the flames destroy your business. That's tangible—you can visualize that! And you thank God for your fire insurance!

If a racketeer walks into your store, and at point of revolver, forces you to hand over a truck load of merchandise—that's *burglary*. That's tangible—you can visualize that. And you rush to the safe to dig out your burglary policy.

But if a "crediteer" buys a truck load of merchandise and a few months later moves off with it to another state—leaving you to hold the bag—that's just another bad debt—another "P. & L." account. That's *intangible*—you just can't seem to visualize that it's *another truck load of merchandise* you've lost and not just a "P. & L." account.

And that explains why occasionally someone will ask, "What do I get for my \$5.00 I pay for membership in the National Retail Credit Association?" Because its benefits, like those of

most associations, are intangible, because they can't be packaged like sugar or salt or cigars or hooch and put into his hand, he can't see them. *He can't visualize them!*

And that's the purpose of this article: To visualize these intangible benefits, and paint word pictures of them for those who—like the traditional Missourian—"must be shown."

## 1. Organization for Protection

And this first step has made possible all those that follow. In 1912 when it was organized, there were eighteen charter members. Today it has eighteen *thousand* members. If for no other reason than the bringing together of these thousands



"If your store burns down—you stand and watch the flames destroy your business. That's tangible."



of members, enabling them to help themselves, by helping each other, it has justified its existence.

## 2. Standardizing Retail Terms

Twenty years ago retail terms were unheard of. People paid when and as they pleased and if the retailer wasn't satisfied, his competitor would gladly "carry them" on that basis. Grocers entered all purchases in a little book which customers carried and now and then—*mostly then*—a small partial payment was entered in the book. Accounts were never paid in full.

Merchants in farming communities carried the farmers from spring until after harvest, satisfied—they had to be—with a once-a-year pay-off.

Years of painstaking effort to educate merchants and their customers to realize that each month's accounts should be paid in full by the tenth of the following month, are finally bringing about an acceptance of that idea.

## 3. Safeguarding the Collection of Accounts

In the old days the merchant turned over the accounts he couldn't collect to a professional collector. Maybe he collected them, maybe he didn't. If he did, maybe he paid the merchant, maybe he didn't. Today the merchant can place accounts for collection, either locally or anywhere in America, with a responsible collection organization bonded by the National Retail Credit Association.

## 4. Dependable Credit Information

Before the perfection of this association, dependable sources of credit information were scarce. Credit was granted mostly on guess and hearsay. Today, in every city and hamlet, there's a retail credit bureau, affiliated with the National Association, functioning to standards set by the National Association, and commanding, through its National affiliation, dependable credit information from any part of this country or Canada.

## 5. Legislative Activities

One of the greatest of these "intangible" benefits is the power of the National Association to promote and encourage beneficial legislation for the protection of the retail and professional credit granter.

Where one credit granter, working alone, would be powerless—thousands of them, banded together in the National Retail Credit Association, are able to demand and expect to be heard in matters affecting their mutual interests.

Practically every improvement in National and State laws during the past twenty years—that is laws of benefit to the retail credit granter—has been brought about by the National Retail Credit Association or by its affiliated state associations with National Association support. For instance:

**Protective Laws**—Passing of new laws or "putting teeth" in old ones against bad check passers,

forgers and other credit frauds; strengthening of garnishment laws; the passage, just a few years ago, of a Federal law providing for the new address to be furnished on forwarded registered mail, a great help in locating "skips."

**Bankruptcy Revision**—Right now, the Association is backing several bills in Congress, introduced in response to its demands, to revise the Federal bankruptcy law to protect the retailers and professional men.

**Return of Two-Cent Postage**—Feeling that the recent 50 per cent increase in first class postage worked a real hardship on the retailer, the Association is working diligently to obtain a return of the old two-cent rate.

All these are "intangibles" yet they have a direct bearing on operating expenses or "overhead" in every retail establishment. If, for instance, you mail only 500 statements a month, the saving effected by the return of two-cent postage would pay your membership dues of \$5.00 a year. *That's tangible, isn't it?*

## 6. Standardized Credit Statistics

Through its many channels of information, the Association gathers dependable statistics to which you may turn when in need of information. The semiannual Retail Credit Survey—conducted by the U. S. Department of Commerce—was instituted at the behest of the National Association.

## 7. Credit and Collection Helps

The use of the National emblem, in your store and on your stationery is a notice to the public that you are a member of a powerful credit association. *And that's tangible.* So are the collection stickers and inserts furnished to you at low cost. Likewise, the collection letter service and the "Pay Promptly" advertising campaigns sponsored by the Association for your use.

## 8. Development of New Credit Practices

Through The CREDIT WORLD, through state and regional conferences, through its annual conventions, the National Association develops new methods, new thought on credit problems, new and better credit practices. Standardized retail terms, community credit policies, the plan of charging interest on delinquent accounts—these are ideas that started small and were developed through constant effort.

Perhaps your National Association is an "intangible." If it is, so are your government, your army and navy, your police forces, your schools and your churches.

*But—would you do without them? Neither should you try to get along without your National Association for the trifling cost of membership—less than two cents a day—less than the cost of your daily newspaper!*



# The Public Accountant Looks at Retail Credit

By RICHARD KOLB, B.C.S.  
Public Accountant, New York City

**I**T MAY safely be said, that the present economic depression impels a countless number of business executives to resort to a new school of economic thought. For the prevailing methods of managing business institutions seem no longer adequate to cope with the adverse business conditions, affecting the well-being of the people at large.

Never in the history of the world were economic problems as complex as they are now. For the well-being of one industry, or one commercial establishment depends upon the progress of the other units comprising the "economic institution." The inherited habit of criticising business institutions along the lines of production and marketing will not accelerate a business revival. On the other hand, a sound, and constructive program, that calls for scientific analysis of present-day conditions, for the purpose of ascertaining causes that altered the wheels of commerce and for the purpose of reorganizing business along sound economic principles, would be beneficial to both business institutions and the general public at large.

In view of the fact that professional men and women engaged in the field on industry and commerce are confronted with the problem of marketing their services, present conditions warrant the necessity of taking inventory. For, this preliminary step, suggested along the lines of improving business conditions, would enable those who are endeavoring to contribute their efforts and their skill toward a business revival, to make an analysis of their education and experience.

This would help them to improve their services. It is useless to plan ahead without adequate machinery and tools.

There are ample facilities for improving one's education along the lines of business science. The present-day business executive should make the most of his opportunities by resorting to a school of commerce, or to a library for additional knowledge and for research work. The economic problems that face us at present cannot be solved by the established methods; but by an application of modified and new methods put into operation, anticipated results will come into being. In view of this doctrine it is, then, appropriate and timely to suggest the need of improving our education: First, by taking inventory of our tools. Second, by making use of the educational institutions ready and glad to assist us in this human endeavor.

## *The Public Accountant's View-Point of Retail Credit*

The writer of this article endeavors to express his personal views; and not the general views of the public accounting profession. It is apparent, that the public accountant is as much interested in ascertaining the stability of credit, as the credit man is. For he is aware of the fact that a business establishment cannot operate successfully, if its credit department is inactive.

This doctrine merits no refutation, for out of profit taxes are paid; moreover, employment is stimulated. A decrease in profits causes the management to resort to cutting expenses. That invariably results in a discharge of wage earners, affecting their economic and social well-being. It is, therefore, appropriate to consider the importance of the credit man; moreover, the difficult task confronting him in his endeavor. The writer ventures to say that a bright future is in store for the credit man—that a wider recognition will be extended to him for his services to business and to society at large.

## *Retail and Wholesale Credit*

The credit man of a wholesale business finds himself in a much easier position, than the credit man of a retail business. For the former is dealing with tangible elements, whereas the latter is dealing with an intangible element—the general public as a consumer. This burdens the retail credit man not only with business problems along credit lines but with social problems, too.

The wholesale credit man obtains adequate credit information through trade associations, through banking institutions and through credit agencies. In addition to this, he can easily communicate with the retailer. In case of insolvency, or bankruptcy, the inventory on hand, as well as other available assets, may be used for settling the debt.

Another important factor, that may be considered in favor of the wholesale credit man is the less-burdensome responsibility. For an adequate reserve is maintained to provide for bad debts; moreover, the problem of collection is easier.

The task of the retail credit man is more complex, more strenuous, more burdensome and, above all, more responsible. For, he is dealing with the general public as a consumer. The consumer cannot be as easily located as the retailer; thus payments are much easier evaded.

There is nothing to prevent the consumer from moving to another locality and that may retard payments.

In the final analysis credit is extended with greater risks and with greater hazards. For the consumer may find himself in an adverse economic position, due to loss of employment, if he happens to be a wage earner, or a salaried man. Thus it may safely be said, that the task of the retail credit man is important, moreover, beneficial along social lines for every endeavor is made by the credit man to retain the good will of the customer.

#### **Retail Credit's Contribution to Business and Social Progress**

In view of the fact that retail business establishments have direct contact with the general public, they find themselves in a good position to forecast market conditions. For on this information the well-being and the progress of the economic institution fully depends.

The retail business establishment, equipped with an economic and social-minded credit department, is in an excellent position to embark on a journey of improving trade. The extension of credit to the consuming public at large is without doubt very risky, in view of the present adverse economic conditions, but this policy, if initiated, would stimulate trade and employment.

The important factor to be considered, is the extension of long term credits by manufacturing and wholesale establishments to the retailers. Banking institutions and manufacturing establishments should endeavor to consider the suggestion, for the application of this suggested credit would impel a business revival.

In conclusion, the writer of this article ventures to say that the retail credit man has contributed a great deal toward the economic and the social well-being of the general public at large. For adequate facilities are provided for assisting honest consumers in their endeavor to obtain merchandise on installment or open credit. The present-day problem of marketing commodities offers the credit man an excellent opportunity for improving and for enlarging his task. And he eventually will be recognized as an economic and social benefactor.

» » »

#### **Lack of Proper Records Found Important Cause of Business Failure**

Neglect to keep proper records of their business must be given high rank among the inefficient methods and practices which each year force a needlessly large number of American merchants, manufacturers and other business men into insolvency, it is indicated by the results of a recent study reported by the Department of Commerce as "Causes of Business Failures and Bankruptcies of Individuals in New Jersey."

Fewer than one-half—47.1 per cent—of a large number of failed businesses studied in a variety of lines kept adequate book records of their transactions, the failure study shows. Some 23.5 per cent of all the concerns kept no books whatever, and 29.4 per cent kept records insufficient to supply them the necessary information for sound management.

Contractors in a number of lines, including building, electrical, painting and plumbing, were as a class among the most frequent delinquent with respect to record-keeping, it was found. Only 41.9 per cent of the contractors kept proper books, 30.2 per cent admitting to none at all and 27.9 per cent having insufficient records. Building contractors who as a group had particularly large liabilities were also especially lax in the matter of record-keeping.

Among the retail merchants, 20.6 per cent were found to be without books, 32.4 with inadequate records, and 47.0 per cent with adequate bookkeeping systems. Drug stores, dry goods stores, restaurants, gift shops and garages are shown to be at the bottom of the list with respect to sufficient bookkeeping, while electrical equipment stores, jewelers, laundries, automobile and radio dealers are among those most frequently found with a sufficient set of books.

Wholesalers in general were found to be the most thorough in the keeping of records, 84.6 per cent of those examined having adequate bookkeeping systems.

Closely allied to faulty records as an aid to business failure was neglect to keep check of stock. Thirty-nine per cent of the insolvents admitted that they never took an inventory, including 64 per cent of the contractors, 40 per cent of the wholesalers, 31 per cent of the retailers, and 29 per cent of the manufacturers.

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# Announcing the 1931-32 Prize Winners— Retail Credit Practice and Procedure Course

**First Prize - - \$100**

WM. BOSCH  
North Platte, Neb.



The following letter from Mr. G. B. Porter, General Manager, Platte Valley Credit Association, North Platte, Neb., gives an intimate sketch of the winner of the first prize:

We were very happy to be advised that Mr. William Bosch of this city had been selected by the Educational Committee as the winner of the First Prize in National competition with other students who took the course in Credits and Collections, as sponsored by the National office. Presentation of this award was made to Mr. Bosch, at our regular monthly credit meeting held last night.

Mr. Bosch was an interested student from the first and devoted considerable time to the study of the textbooks prior to the formation of the class. He was heard in every discussion at each of our classes. He never missed a meeting. Mr. Bosch is a graduate of the Geislinger High School of Germany. He took several different courses in business colleges prior to working for the German Exporters Vogelnisenberg.

"Bill" is now thirty-four years old and came to this country in 1922. He came to North Platte at that time and became a bookkeeper for a local store. He later became connected with a large wholesale and retail oil company, as auditor and credit manager.

It was about this time that we were trying to form our local class. Mr. Bosch, without hesitation, signed up and from then on worked hard to put into actual practice the ideas and systems advocated.

**Second Prize - - - \$50**

M. B. SILVERSON  
Credit Manager, The Landres Co.  
Memphis, Tenn.

**Third Prize - - - \$50**

MRS. JULIA LOWRY  
Manager Credit Bureau, Madison  
Association of Commerce  
Madison, Wisconsin

**Fourth Prize - - - \$25**

MISS LAURA BURTHER  
Bookkeeper, 15-19 E. Main Street  
Madison, Wisconsin

**Fifth Prize - - - - \$25**

MRS. MAYBELL TURNER  
Assistant Credit Manager  
810 Scarbrough Bldg.  
Austin, Texas

## Promotion Follows Proficiency!

Read This Letter From Winner of First Prize

### INTERNATIONAL ACCOUNTANTS SOCIETY, INC.

ESTABLISHED 1903

A DIVISION OF THE

#### ALEXANDER HAMILTON INSTITUTE

3911 SOUTH MICHIGAN AVENUE

CHICAGO

WILLIAM BOSCH  
REPRESENTATIVE

Zents Bldg.,  
North Platte, Nebr.  
December 23, 1932.

National Retail Credit Association,  
1218 Olive St.,  
St. Louis, Mo.

Gentlemen:

I take great pleasure in acknowledging receipt of my diploma and your check for \$100.00, which was presented to me by your local secretary, Mr. G. B. Porter, at the Hotel Pawnee, and represents the first prize in the National Prize Award Contest conducted by the National Retail Credit Association Educational Course Committee.

When I studied the course, and in making out the examination, I was desirous of getting a good grade in order to receive my diploma, and I was certainly much pleased and agreeably surprised to receive this fine prize. Permit me to express my appreciation and sincere thanks.

I am certainly very much pleased with the results of this training course. The knowledge obtained has given me a broader vision of credit management, etc. The studies were very interesting and the weekly discussions were a source of much satisfaction and pleasure.

I feel that a knowledge of Credit Practice and Procedure is essential to anyone engaged in granting credit, whether it be the executive or his assistants. The time spent in studying is certainly well spent, - it is a most profitable investment.

Again thanking you, and with the Season's Greetings,  
I am,

Yours very truly,

*William Bosch*

WB/IB

P.S.- A few days before being presented with this prize, I received word of my promotion to District Manager of the International Accountants Society, effective Jan. 1st, 1933, with office at Casper, Wyo.

## Rouse the Sleeping Giant!

(Continued from page 21.)

a bushel. Nearly every credit man has at least one point in which he excels, and he can usually be induced to mount the platform.

For instance, a man who had kept accurate records on results obtained from various types of sales letters written by the credit department could give you a beneficial talk. Another has gone out of his way to aid many a luckless debtor to regain his feet.

One man is deeply concerned with the returned goods evil. Still another believes that credit's only hope for salvation lies in strict enforcement of a thirty-day policy. Any of these or dozens of your other members can furnish the meat for an evening's program.

Post two or three of the members in advance as to the remarks that will be made, let them prepare arguments for and against the question but have it appear extemporaneous and thus promote worth-while discussions.

The Southern Credit Conference at Atlanta last spring witnessed the "Credit Man on Trial," a good example of what you can do, using only your regular members. Many good points were brought out, and it was sprinkled with plenty of comedy. Credit associations throughout the South clamored for copies of it and it was widely reproduced as the feature of the regular monthly meetings.

So take stock of your meetings, see if they can be improved. See if you have secured all available members. Support your local and your national associations. Let's rouse the sleeping giant and make the credit fraternity all that the name implies!

## For Sale--

### A Collection and Adjustment Bureau:

In a Florida City of 45,000  
Population.

### A Credit Bureau:

In Minnesota  
Long Established and Doing Profitable  
Business. 20,000 Records, Live Com-  
munity. Owner Earned \$4,000 Net  
Last Year.

For Information Write—

D. J. WOODLOCK, Manager-Treasurer  
NATIONAL RETAIL CREDIT ASS'N  
1218 Olive Street  
St. Louis, Missouri

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## Join a Study Class Now

Recognizing the need for specialized credit training, the Educational Department of the National Retail Credit Association furnishes two separate, comprehensive study courses in Retail Credit:

### 1. Retail Credit Practice and Procedure

*A series of fifteen lectures on the following subjects:*

- No. 1—"DEFINITION OF RETAIL CREDIT."
- No. 2—"THE PLACE OF THE CREDIT DEPARTMENT IN THE ORGANIZATION OF THE RETAIL STORE."
- No. 3—"THE STRUCTURE OF THE CREDIT DEPARTMENT."
- No. 4—"ORIGINATING ACCOUNTS."
- No. 5—"DETERMINING RESPONSIBILITY OF APPLICANT."
- No. 6—"ACCEPTANCE OF APPLICATION."
- No. 7—"AUTHORIZATION."
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*A new series of twelve prepared lectures on the following subjects:*

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- 3. SALESMANSHIP IN CREDIT INTERVIEWS.
- 4. OFFICE CONFERENCES; ADJUSTMENTS.
- 5. SELLING NEW CREDIT POLICIES TO THE PUBLIC.
- 6. COLLECTION SALESMANSHIP CONTACT.
- 7. COLLECTION SALESMANSHIP LETTERS.
- 8. EFFICIENT CREDIT SERVICE BUILDS SALES.
- 9. COOPERATION BETWEEN CREDIT AND SALES DEPARTMENTS.
- 10. THE METHODS OF NEW ACCOUNT PROMOTION.
- 11. THE MODERN SCIENCE OF CUSTOMER CONTROL.
- 12. INSTALLMENT SALES PROMOTION.

(Price of this Course Reduced Nearly 20%)

Your Bureau Manager  
has complete details - - ask him about it

Educational Department  
National Retail Credit Association

Executive Offices

St. Louis, Missouri

# Must We Bond the Merchants?

By C. O. STILES

**T**HROUGH the efforts of the credit bureaus and the state organizations of credit bureaus, numerous states have laws requiring all collectors of accounts to be bonded to the Secretary of State. This is as it should be, providing the law is enforced, as there is no doubt there has been a certain percentage of collectors who have appropriated for their own use, funds collected from debtors which should have been returned to the creditor.

This in a few cases has been due to dishonesty and in a great many cases to poor management on the part of the collector which has caused him to use some of the funds due his clients for the purpose of office expenses and his own living.

*(In actual practice, it seems, these laws have not worked out to the satisfaction of either the bonded agencies or their clients.)*

Now, that this has been done and probably will be done in other states, does it become necessary that we have laws bonding the creditors to fulfill their agreement with the collectors? This should not be necessary, but it appears that it will be if there is not some change.

When a creditor gives a collector, or the collection department of his credit bureau, accounts for collection, it is understood and is stated in the acknowledgement of these accounts, that if any accounts are paid direct to the creditor after having been placed in the hands of the collector, the commission is due and to be paid to the collector.

This is justifiable for numerous reasons: Immediately upon receipt of the claims in the collection office, they are placed in process and a certain amount of labor is performed by the collector. He must first record the claims in the proper filing system that there may be an efficient record and that the creditors may have access to a record of the work that has been done upon each claim.

For the protection of the creditors, if it is a credit bureau, the claims for collection are recorded on the master rating cards. They are then checked for verification, or correction of the name of the debtor, which is often wrong on the creditor's books, and in many cases it is necessary to go through a laborious process of tracing for the correct address.

A notice of the claim being placed for collection is then sent to the debtor. All of this entails a certain amount of expense on the part of the collection office to place the claims in a position where they may be collected.

Debtors pay their accounts direct to the creditors for three reasons: First, the creditor's place of business may be more convenient for them to call; second, they some-

times think that by paying direct to the creditor they are withholding from the collector, whom they often-times dislike, his commission; and third, because they feel that it does not make any difference to whom they pay the claim.

The reason, however, that they pay the claim or any portion thereof, direct to the creditor is because they have been notified it is in the hands of the collector and they know they will have to pay eventually. The prestige of the collection office, particularly if it is affiliated with the credit bureau, causes them to give the account immediate attention.

Granting this to be true, then the collector is entitled to his commission on the claims paid direct to the creditor, regardless of the reason they are paid or how soon they are paid. Sometimes the creditor feels that the collector has put forth very little effort to produce these results. This may be true if you consider only the immediate effort, but the collector has built up a business over a period of years and has established a reputation among debtors that causes them to pay.

The collector also must, in order to render efficient service, spend considerable time and expense upon uncollectible claims, or upon claims that, if collected, carry such small commissions that they do not pay the expense of their collection. Therefore, the return to the collector for his labors and efficiency must be based upon an average and not upon the labor consumed in collecting any one claim.

This, however, does not seem to be realized by many creditors who place accounts for collection and it is a common occurrence for creditors to fail to report to the collector payments on accounts placed for collection and when confronted with the fact that they have been paid, decline to pay the just commission due the collector. This is sometimes due to neglect on the part of the creditor, sometimes due to an inefficient system, in the creditor's office, of keeping a record of claims placed for collection and payments made thereon, but more often due to the tendency on the part of the creditor to wish to save that commission that he should justly pay for the correction of his foolish mistakes in careless credit granting.

Whatever the reason may be, it is a known fact that the practice of attempting to avoid payment of commissions on claims paid direct to the creditor is very prevalent. Of course, no one is seriously considering the introduction of such a law but—should there be a law in every state bonding the creditors to the collectors, or penalizing the creditor for not paying the collector his just commissions on such direct payments, it would in a measure alleviate this condition.



When we hear merchants and professional men berate collectors for not having properly settled with them for the amount due on claims collected, we often wonder if the amount that has been lost by creditors through this source anywhere near equals the amount that has been lost by collectors through unpaid commissions justly due them.

Consideration of this comparison might be food for thought for some creditors who place claims with their credit bureaus or collectors for recovery.

» » »

## The Importance of Reporting Ledger Experience on All Accounts

(Continued from page 6.)

members have had occasion to rate him in their "P & L" lists and we soon come to know him. It is the applicant who is honest in his intention, but who, perhaps, is not conservative in his buying, and the many whose earning power is not commensurate with their ability to incur obligations, who must be watched so closely.

And, let's not forget for a moment that desirable class of customers who use credit as a convenience rather than a necessity and who are able and willing to take care of any obligations incurred and whom we do not wish to antagonize. Their business is profitable and their patronage is needed, but we cannot recognize them unless we have a real source of accurate, up-to-the-minute information in our Association.

We know we have an efficient organization in our Association. As long as I have had occasion to deal with the members of this organization, which has been exactly ten years, I have never felt that I had grounds for one single complaint that could be charged to inefficiency or lack of interest of any member of the organization. There have been times when the information I received was not satisfactory, but that was because the Association did not have the necessary information available—because the members were not doing their part to make their own Association, which is the most vital asset they possess, 100 per cent in its ability to serve them.

Rate your ledgers accurately and frequently to your Association; abide by the information your Association gives you—and watch your profits grow.

» » »

## An Economical Form for Reporting Ledger Experience

For speedy reporting of ledger experience, at minimum cost, write the Forms and Systems Department for samples of the "Ledger Check" form. This form (Number R 21) has a distinct advantage over the small individual slips usually used for this purpose in that it combines in one full-size (8½ x 14) sheet, space for listing 12 individual account ratings.

As this sheet can be used on the typewriter, the work of transcribing the listings is reduced to a minimum. It is not necessary to list accounts alphabetically as the sheet is perforated so that it can be torn apart and the listings sorted alphabetically by the credit bureau.

## Handy Discount Table

The following compiled table shows the earnings open to retailers who will take advantage of various discounts offered for cash payment of bills. Here are the annual interest returns of savings thus made:

|     |                       |     |
|-----|-----------------------|-----|
| ½%  | 10 days, net 30 days  | 9%  |
| 1%  | 10 days, net 30 days  | 18% |
| 1½% | 10 days, net 30 days  | 27% |
| 2%  | 30 days, net 4 months | 8%  |
| 2%  | 10 days, net 60 days  | 14% |
| 2%  | 30 days, net 60 days  | 24% |
| 2%  | 10 days, net 30 days  | 36% |
| 3%  | 10 days, net 4 months | 10% |
| 3%  | 30 days, net 60 days  | 36% |
| 3%  | 10 days, net 30 days  | 54% |

The most commonly used discount is 2% for cash within ten days or net payment in thirty days. As shown above, money invested in such discounts yields a return of 36% annually.—*Alpha Aids*.

## Federal and State LAWS

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## 1933 CREDIT MANUAL of COMMERCIAL LAWS

Compiled to point out the legal implication back of every commercial transaction.

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National Retail Credit Association, St. Louis

Gentlemen:

Send me the 1933 Manual.

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_

## How Cedar Rapids Established Carrying Charges on Delinquent Accounts

(Continued from page 5.)

The fairness of making this interest charge has been endorsed by the Controllers' Congress of the National Retail Dry Goods Association who at their last convention unanimously adopted a resolution to this effect.

Also, at the June convention of the National Retail Credit Association, a similar resolution was unanimously adopted by that body. At this convention other cities and individual stores signified their intentions to adopt the policy of charging interest on delinquent accounts.

In addition to providing additional revenue, the strongest argument in favor of charging interest on delinquent accounts is that it serves to equalize prices as between the prompt-pay and slow-pay customers. While all retailers are zealously guarding the good will of their patrons, and for this reason may hesitate to charge interest, by so doing they are in fact penalizing their prompt-pay customers since the customers who take an additional 60 days or 6 months on 30-day accounts, are in fact receiving better prices than the customers who pay their accounts within 30 days.

Obviously where such a policy is adopted by a group of leading stores in a community, enforcement and operation will be much easier. This will also result in other stores in the same community adopting the policy, thereby strengthening the position taken by the original group.

Therefore, to the end that local retailers may be relieved of financing delinquent accounts, that additional revenue may be provided, that prices between prompt-pay and slow-pay customers may be equalized, and in the interest of better collections, it is recommended that the retailers of Cedar Rapids adopt the policy of charging interest on delinquent accounts along lines successfully followed by retailers of other communities.

Respectfully submitted,

IDA BOETTCHER,  
W. A. KOSTER,  
R. A. VETTER,  
Committee.

July 6, 1932.

On July 27, after a definite decision had been made to adopt the policy, samples of the interest notice were sent to our entire membership with the following letter:

### ANNOUNCEMENT

For the information of our entire membership, there is attached a form of enclosure which a number of our members are using:

- (a) On and after Aug. 10
- (b) In connection with accounts which are 60 days or more delinquent
- (c) The rate of interest to be charged is one-half of one per cent per month, or 6 per cent per annum.

In order that all members of the Association may participate, the attached form has been worded so that it may be used by any business or profession.

Inasmuch as this movement is being sponsored and inaugurated by a number of the larger members, it is hoped that all members will adopt this practice, thereby supporting the movement as a community credit policy, and at the same time compensating themselves for carrying accounts beyond the settlement period.

These inserts may be secured from the secretary's office at a cost of 30 cents per hundred. Please place your order early so that additional copies may be printed if necessary.

Very cordially,

(Signed) R. A. VETTER,  
For the Committee.

July 27, 1932.

The policy as before stated was made effective August 10, 1932, and the results are entirely satisfactory to the stores participating. There has been little friction reported so far.

One store, however, whose collection percentage usually does not much exceed 30 per cent each month, has had more trouble than the rest, which of course is to be expected after having for years educated customers to taking all the time they wanted.

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## Gilbert Celebrates Tenth Anniversary of Atlanta Credit Service Exchange

Mr. L. S. Gilbert, Manager of the Credit Service Exchange, Atlanta, Georgia, on January 25 celebrated his tenth anniversary in the life of the exchange. In commemoration of the event, he and Mrs. Gilbert entertained the entire personnel of the organization and a few invited guests at their suburban home.

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## Epton Elected Head of Portland "Presidents' Council"

F. E. Epton, past president of the Retail Credit Association of Portland, Oregon (one of our "100 per cent National" cities) was recently installed as President of the "Presidents' Council" of Portland, according to an announcement in the *Portland News-Telegram*.

This is a rather unique organization, being composed of the presidents of the various civic organizations and devoted to constructive activities in the city's affairs.

Mr. Epton is the first credit man to be elevated to this position and also the youngest man elected as president of the council, which is the highest honor at the bestowal of the many organizations represented.

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## Are You Interested In Better Credit and Quicker Collections?

If you are, then you should be interested in the new "Pay Promptly" Advertising Campaign of the National Retail Credit Association. You should find out more about it and encourage its use in your community.

For it is planned to create a better understanding of the functions of credit, a clearer understanding of the reasons for paying bills promptly, a clearer conception of personal obligations and personal honor.

If it pays to use newspaper advertising to sell your merchandise—and it must or you wouldn't continue using it—then it will pay you equally well to use that same medium, as a community proposition, to sell the idea of paying for the merchandise when payment is due!

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